

## HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

### INCOME TAX

#### Rev. Rul. 99-40, page 441.

**Interest on underpayments; credits against estimated tax.** Rules are provided for determining the date from which interest will be assessed when an overpayment claimed on a return is credited to the succeeding year's estimated tax or refunded without interest, and a deficiency for the overpayment year is subsequently determined. Rev. Ruls. 88-98, 84-58, and 77-475 modified and superseded.

#### Rev. Rul. 99-41, page 439.

**Federal rates; adjusted federal rates; adjusted federal long-term rate, and the long-term exempt rate.** For purposes of sections 1274, 1288, and 382, and other sections of the Code, tables set forth the rates for October 1999.

#### REG-106010-98, page 493.

Proposed regulations under section 110 of the Code relate to an exclusion from gross income for qualified lessee construction allowances provided by a lessor to a lessee for the purpose of constructing long-lived property to be used by the lessee pursuant to a short-term lease. Guidance is provided on the exclusion, the information required to be furnished, and the time and manner for providing that information to the IRS. A public hearing is scheduled for January 19, 2000.

#### Notice 99-51, page 447.

Guidance is provided under sections 51 and 51A of the Code relating to the use of the Work Opportunity Tax Credit and the Welfare-to-Work Tax Credit when an individual works for more than one employer while moving from welfare to work.

### ADMINISTRATIVE

#### Rev. Proc. 99-34, page 450.

**Rules and specifications for private printing of substitute forms.** This procedure provides requirements for reproducing paper substitutes and for furnishing substitute recipient statements for Forms 1096, 1098, 1099, 5498, and W-2G. It will be reproduced as the October 1999 revision of Publication 1179. Rev. Proc. 98-37 superseded.

#### Notice 99-50, page 444.

**Ex Parte communications prohibition.** This notice contains a proposed revenue procedure that, when finalized, will provide guidance to IRS employees and taxpayers about *ex parte* communications during the Appeals process. The public is invited to comment on the proposed revenue procedure. The guidance will be effective for communications that take place after the procedure is finalized.

Actions Relating to Court Decisions is on the page following the Introduction.

Finding Lists begin on page ii.

Index for July through September begins on page iv.



# The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities

and by applying the tax law with integrity and fairness to all.

## Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and proce-

dures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

### **Part I.—1986 Code.**

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

### **Part II.—Treaties and Tax Legislation.**

This part is divided into two subparts as follows: Subpart A, Tax Conventions, and Subpart B, Legislation and Related Committee Reports.

### **Part III.—Administrative, Procedural, and Miscellaneous.**

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

### **Part IV.—Items of General Interest.**

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The first Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the first Bulletin of the succeeding semiannual period, respectively.

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For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

## Actions Relating to Court Decisions

It is the policy of the Internal Revenue Service to announce at an early date whether it will follow the holdings in certain cases. An Action on Decision is the document making such an announcement. An Action on Decision will be issued at the discretion of the Service only on unappealed issues decided adverse to the government. Generally, an Action on Decision is issued where its guidance would be helpful to Service personnel working with the same or similar issues. Unlike a Treasury Regulation or a Revenue Ruling, an Action on Decision is not an affirmative statement of Service position. It is not intended to serve as public guidance and may not be cited as precedent.

Actions on Decisions shall be relied upon within the Service only as conclusions applying the law to the facts in the particular case at the time the Action on Decision was issued. Caution should be exercised in extending the recommendation of the Action on Decision to similar cases where the facts are different. Moreover, the recommendation in the Action on Decision may be superseded by new legislation, regulations, rulings, cases, or Actions on Decisions.

Prior to 1991, the Service published acquiescence or nonacquiescence only in certain regular Tax Court opinions. The

Service has expanded its acquiescence program to include other civil tax cases where guidance is determined to be helpful. Accordingly, the Service now may acquiesce or nonacquiesce in the holdings of memorandum Tax Court opinions, as well as those of the United States District Courts, Claims Court, and Circuit Courts of Appeal. Regardless of the court deciding the case, the recommendation of any Action on Decision will be published in the Internal Revenue Bulletin.

The recommendation in every Action on Decision will be summarized as acquiescence, acquiescence in result only, or nonacquiescence. Both “acquiescence” and “acquiescence in result only” mean that the Service accepts the holding of the court in a case and that the Service will follow it in disposing of cases with the same controlling facts. However, “acquiescence” indicates neither approval nor disapproval of the reasons assigned by the court for its conclusions; whereas, “acquiescence in result only” indicates disagreement or concern with some or all of those reasons. Nonacquiescence signifies that, although no further review was sought, the Service does not agree with the holding of the court and, generally, will not follow the decision in disposing of cases involving other taxpayers. In ref-

erence to an opinion of a circuit court of appeals, a nonacquiescence indicates that the Service will not follow the holding on a nationwide basis. However, the Service will recognize the precedential impact of the opinion on cases arising within the venue of the deciding circuit.

The Actions on Decisions published in the weekly Internal Revenue Bulletins are consolidated semiannually and annually. The semiannual consolidation appears in the first Bulletin for July and in the Cumulative Bulletin for the first half of the year, and the annual consolidation appears in the first Bulletin for the following January and in the Cumulative Bulletin for the last half of the year.

The Commissioner ACQUIESCES in the following decisions:

**James J. and Sandra A. Gales v. Commissioner,<sup>1</sup>**

T.C. Memo 1999-27

**Dubin v. Commissioner,<sup>2</sup>**

99 T.C. 325 (1992)

The Commissioner NONACQUIESCES in the following decision:

**RJR Nabisco, Inc., et al., v. Commissioner,<sup>3</sup>**

T.C. Memo 1998-252

<sup>1</sup> Acquiescence in result only relating to whether advance commissions received on insurance written by taxpayer husband were income at the time paid or were loans such that income was reportable only as the commissions were subsequently earned.

<sup>2</sup> Acquiescence in result only relating to whether partnership items reported on a joint return convert to nonpartnership items with respect to both spouses when a TEFRA conversion event, pursuant to I.R.C. section 6231, occurs as to only one spouse.

<sup>3</sup> Nonacquiescence relating to whether graphic design and advertising campaign costs incurred by petitioner are currently deductible business expenses under I.R.C. section 162 or are properly treated as capital expenditures under I.R.C. section 263.



# Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

## Section 42.—Low-Income Housing Credit

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 1999. See Rev. Rul. 99-41, on this page.

## Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of October 1999. See Rev. Rul. 99-41, on this page.

## Section 382.—Limitation on Net Operating Loss Carryforwards and Certain Built-In Losses Following Ownership Change

The adjusted applicable federal long-term rate is set forth for the month of October 1999. See Rev. Rul. 99-41, on this page.

## Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 1999. See Rev. Rul. 99-41, on this page.

## Section 467.—Certain Payments for the Use of Property or Services

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 1999. See Rev. Rul. 99-41, on this page.

## Section 468.—Special Rules for Mining and Solid Waste Reclamation and Closing Costs

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 1999. See Rev. Rul. 99-41, on this page.

## Section 482.—Allocation of Income and Deductions Among Taxpayers

Federal short-term, mid-term, and long-term rates are set forth for the month of October 1999. See Rev. Rul. 99-41, on this page.

## Section 483.—Interest on Certain Deferred Payments

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 1999. See Rev. Rul. 99-41, on this page.

## Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of October 1999. See Rev. Rul. 99-41, on this page.

## Section 807.—Rules for Certain Reserves

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 1999. See Rev. Rul. 99-41, on this page.

## Section 846.—Discounted Unpaid Losses Defined

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 1999. See Rev. Rul. 99-41, on this page.

## Section 1274.—Determination of Issue Price in the Case of Certain Debt Instruments Issued for Property

(Also sections 42, 280G, 382, 412, 467, 468, 482, 483, 642, 807, 846, 1288, 7520, 7872.)

## Rev. Rul. 99-41

This revenue ruling provides various prescribed rates for federal income tax purposes for October 1999 (the current month.) Table 1 contains the short-term, mid-term, and long-term applicable federal rates (AFR) for the current month for purposes of section 1274(d) of the Internal Revenue Code. Table 2 contains the short-term, mid-term, and long-term adjusted applicable federal rates (adjusted AFR) for the current month for purposes of section 1288(b). Table 3 sets forth the adjusted federal long-term rate and the long-term tax-exempt rate described in section 382(f). Table 4 contains the appropriate percentages for determining the low-income housing credit described in section 42(b)(2) for buildings placed in service during the current month. Finally, Table 5 contains the federal rate for determining the present value of an annuity, an interest for life or for a term of years, or a remainder or a reversionary interest for purposes of section 7520.

REV. RUL. 99-41 TABLE 1  
Applicable Federal Rates (AFR) for October 1999

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-Term</i>				
AFR	5.54%	5.47%	5.43%	5.41%
110% AFR	6.11%	6.02%	5.98%	5.95%
120% AFR	6.67%	6.56%	6.51%	6.47%
130% AFR	7.24%	7.11%	7.05%	7.01%

REV. RUL. 99-41 TABLE 1—Continued

Applicable Federal Rates (AFR) for October 1999

*Period for Compounding*

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Mid-Term</i>				
AFR	6.02%	5.93%	5.89%	5.86%
110% AFR	6.63%	6.52%	6.47%	6.43%
120% AFR	7.25%	7.12%	7.06%	7.02%
130% AFR	7.86%	7.71%	7.64%	7.59%
150% AFR	9.10%	8.90%	8.80%	8.74%
175% AFR	10.65%	10.38%	10.25%	10.16%
<i>Long-Term</i>				
AFR	6.31%	6.21%	6.16%	6.13%
110% AFR	6.95%	6.83%	6.77%	6.73%
120% AFR	7.59%	7.45%	7.38%	7.34%
130% AFR	8.23%	8.07%	7.99%	7.94%

REV. RUL. 99-41 TABLE 2

Adjusted AFR for October 1999

*Period for Compounding*

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	3.79%	3.75%	3.73%	3.72%
Mid-term adjusted AFR	4.55%	4.50%	4.47%	4.46%
Long-term adjusted AFR	5.45%	5.38%	5.34%	5.32%

REV. RUL. 99-41 TABLE 3

Rates Under Section 382 for October 1999

Adjusted federal long-term rate for the current month	5.45%
Long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months.)	5.45%

REV. RUL. 99-41 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for October 1999

Appropriate percentage for the 70% present value low-income housing credit	8.45%
Appropriate percentage for the 30% present value low-income housing credit	3.62%

REV. RUL. 99-41 TABLE 5

Rate Under Section 7520 for October 1999

Applicable federal rate for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest	7.2%
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## Section 1288.—Treatment of Original Issue Discount on Tax-Exempt Obligations

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 1999. See Rev. Rul. 99-41, page 439.

## Section 6402.—Authority To Make Credits or Refunds

26 CFR 301.6402-3: *Special rules applicable to income tax.*

If an overpayment claimed on a return is credited to the succeeding year's estimated tax or refunded without interest, from what date will interest be assessed on a subsequently determined deficiency for the overpayment return year. See Rev. Rul. 99-40, on this page.

## Section 6601.—Interest on Underpayment, Nonpayment, or Extensions of Time for Payment, of Tax

26 CFR 301.6601-1: *Interest on underpayments.* (Also sections 6402, 7805(b); 301.6402-3, 301.7805-1.)

### Rev. Rul. 99-40

#### ISSUE

If an overpayment claimed on a return is credited to the succeeding year's estimated tax or refunded without interest, from what date will interest be assessed on a subsequently determined deficiency for the overpayment return year?

#### FACTS

*Situation 1.* X Corporation files its federal income tax returns on a calendar year basis. For 1995, X made timely estimated tax payments of \$100x. On March 15, 1996, X filed Form 7004, Application for Automatic Extension of Time to File Corporation Income Tax Return, and received a 6-month extension of time to file its income tax return. X paid \$120x with the request for extension. On September 15, 1996, X filed Form 1120, U.S. Corporation Income Tax Return, for 1995 showing a tax liability of \$210x and elected to have the overpayment of \$10x credited against its 1996 estimated tax. The \$10x overpayment is deemed to arise on March 15, 1996. X's required estimated tax for

1996 was \$100x. In order to avoid the addition to tax for underpayment of estimated tax for 1996, X was required to make payments of \$25x each on April 15, 1996, June 15, 1996, September 15, 1996, and December 15, 1996. X timely made the required \$25x payments in April and June. On September 15, X made a payment of \$15x. In 1998, the Internal Revenue Service examined X's 1995 return and determined that X's correct 1995 tax was \$215x, resulting in a deficiency of \$5x.

*Situation 2.* The facts are the same as in *Situation 1* except that X paid \$23x on April 15, 1996, and \$14x on June 15, 1996, instead of the required payments of \$25x on each of these dates.

*Situation 3.* A, an individual, files federal income tax returns on a calendar year basis. In 1995, A made timely estimated tax payments of \$100x. On April 15, 1996, A filed Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, and received a 4-month extension of time to file A's income tax return. On August 15, 1996, A filed Form 1040, U.S. Individual Income Tax Return, for 1995 showing tax due of \$80x, and requested a refund of the \$20x overpayment. The overpayment is deemed to arise on April 15, 1996. The refund was made within 45 days of the date the timely return was filed, by a check dated September 14, 1996. In 1998, the Service examined A's 1995 return and determined that the correct tax was \$85x, resulting in a deficiency of \$5x.

*Situation 4.* The facts are the same as in *Situation 3*, except that A's correct tax liability was \$105x, resulting in a deficiency of \$25x.

#### LAW AND ANALYSIS

Section 6601(a) of the Internal Revenue Code provides that if any amount of tax is not paid on or before the last date prescribed for payment, interest will be paid on the amount from such last date to the date paid. Section 6151(a) provides, in general, that the date prescribed for payment is the time fixed for filing the return, determined without regard to any extension of time for filing. Section 6601(b)(1) provides that for determining interest on underpayments, the "last date prescribed for payment" is determined

without regard to any extension of time for payment or filing.

Section 6402(b) states that the Secretary is authorized to prescribe regulations providing for the crediting against the estimated tax for any taxable year of the amount determined by the taxpayer or the Secretary to be an overpayment of the income tax for the preceding taxable year.

Section 301.6402-3(a)(5) of the Regulations on Procedure and Administration provides that a taxpayer may elect to apply all or part of the overpayment shown by its return to its estimated tax for the succeeding tax year by so indicating on its return. No interest is allowed on the portion of the overpayment credited and the amount of the credit is applied as a payment on account of the estimated income tax for the year or the installments thereof. See also § 301.6611-1(h)(2)(vii).

In Rev. Rul. 77-475, 1977-2 C.B. 476, revoked by Rev. Rul. 83-111, 1983-2 C.B. 245, reinstated and modified by Rev. Rul. 84-58, the Service held that if an overpayment of income tax for a taxable year occurs on or before the due date of the first installment of estimated tax for the succeeding taxable year, the overpayment is available for credit against any installment of estimated tax for such succeeding taxable year and will be credited in accordance with the taxpayer's election. If the overpayment occurs after the due date of the first installment of estimated tax for the succeeding taxable year, it may be credited only against an installment of estimated tax due on or after the date the overpayment was made. Under these circumstances, § 6655(b)(3) provides that a payment of estimated tax by a corporation is credited against unpaid required installments in the order in which the installments are required to be paid. Section 6654(b)(3) provides the same rule for individuals.

The Tax Reform Act of 1984, § 413, 1984-3 (Vol. 1) C.B. 301, provides that the application of the Code with respect to the crediting of an overpayment against estimated tax shall be determined without regard to Rev. Rul. 83-111 and with full regard to the rules in effect prior to Rev. Rul. 83-111. The legislative history provides that "[w]here the credit is made to an estimated tax payment arising prior to the election [to credit the overpayment], interest on the overpayment will not be

payable, and interest on the underpayment which arises because of a deficiency in tax for the prior year will run from the date the credit is effective.” H. R. Rep. No. 98-432, Pt. 2, 98th Cong., 2d Sess. 1489-90 (1984).

Rev. Rul. 84-58, 1984-1 C.B. 254, holds that for returns filed after December 31, 1983, when a taxpayer elects to have an income tax overpayment credited against the succeeding year’s estimated tax, the Service will apply overpayments arising on or before the due date of the return against the first installment payment of the succeeding year’s estimated tax, unless the taxpayer requests that it be applied to a later installment.

Rev. Rul. 88-98, 1988-2 C.B. 356, holds that when a taxpayer claims an overpayment on a return filed either on the original due date or on extension, and the claimed overpayment is applied in full against an installment of the succeeding year’s estimated tax, interest on a subsequently determined deficiency for the earlier year runs from the due date of that installment on the part of the deficiency that is equal to or less than the claimed overpayment and from the original due date of the return on the remainder. Rev. Rul. 88-98 follows *Avon Products, Inc. v. United States*, 588 F.2d 342 (2d Cir. 1978), in which the court interpreted § 6601(a) to mean that interest on a deficiency can only be charged when the tax is both due and unpaid. The date the overpayment becomes a payment on account of the succeeding year’s estimated tax determines the date the prior year’s tax became unpaid for purposes of § 6601(a). Prior to that date the government has the use of the funds with respect to the prior year’s tax, and no interest is payable on the overpayment that is the subject of the taxpayer’s election. See § 301.6402-3(a)(5) and § 301.6611-1(h)(2)(vii). In the case of a refund made without interest under § 6611(e), the date on which the tax is both due and unpaid is the date when the amount in question is refunded, even when that date is subsequent to the date of the claim for refund.

In Situation 2 of Rev. Rul. 88-98, the Service applied the taxpayer’s 1983 overpayment to the first installment of its 1984 taxes because the taxpayer did not indicate the installment to which the overpayment was to be applied. Rev. Rul. 88-98 held in

Situation 2 that, because the overpayment was applied to the first installment, interest ran from April 15, 1984, on a subsequently determined deficiency for 1983 that was equal to or less than the claimed overpayment. However, Situation 2 does not indicate whether the taxpayer had actually made all or part of the April 15th estimated tax payment. Thus, it is not clear whether the taxpayer received any benefit of the overpayment as a payment of the April 15th installment.

In *May Department Stores Co. v. United States*, 36 Fed. Cl. 680 (1996), *acq.* AOD CC-1997-008 (Aug. 4, 1997), the taxpayer elected to credit an overpayment shown on its 1983 tax return to the succeeding year’s estimated tax liability but did not attach a statement to its return indicating the installment to which the Service should credit the overpayment. Pursuant to Rev. Rul. 84-58, the Service applied the overpayment to the first installment. A deficiency was determined for the taxpayer’s 1983 tax year and interest was assessed by the Service on the deficiency from the due date of the first installment in accordance with Situation 2 of Rev. Rul. 88-98. However, the taxpayer had made estimated tax payments sufficient to avoid the addition to tax imposed by § 6655 for 1984 for the first and second installments of estimated tax due for 1984. The court concluded that the Service’s application of the taxpayer’s 1983 overpayment to the first installment did not change the fact that the government had the use of the taxpayer’s overpayment from the due date of the first installment (May 15) to the date the overpayment was applied to the third installment (October 15) since the overpayment was not needed to satisfy any installment of estimated tax due during that period.

In light of the *May Department Stores* decision, the Service has reconsidered the manner in which interest on a subsequently determined deficiency is computed under § 6601(a) when the taxpayer makes an election to apply an overpayment to the succeeding year’s estimated taxes. When a taxpayer elects to apply an overpayment to the succeeding year’s estimated taxes, the overpayment is applied to unpaid installments of estimated tax due on or after the date(s) the overpayment arose, in the order in which they are required to be paid to avoid an addition to

tax for failure to pay estimated income tax under §§ 6654 or 6655 with respect to such year. The Service will assess interest on a subsequently determined deficiency for the overpayment year from the date(s) that the overpayment is applied to the succeeding year’s estimated taxes.

Since the overpayment will be applied in the order necessary to avoid the addition to tax for underpayment of estimated tax, designation of all or part of the overpayment to a specific estimated tax installment is not necessary. Accordingly, the Service will not accept such designations after October 4, 1999.

In *Situation 1*, interest on the \$5x deficiency for 1995 runs from September 15, 1996, the date on which the \$10x overpayment is applied to X’s third installment of 1996 estimated taxes. The overpayment was not needed to satisfy an installment of estimated tax prior to September 15, 1996.

In *Situation 2*, interest on the \$5x deficiency for 1995 runs from June 15, 1996, the date on which the overpayment is applied to X’s 1996 estimated taxes. A portion (\$2x) of the overpayment is applied to the April 15th installment of 1996 estimated tax. The remaining \$8x of the overpayment is applied to X’s June 15th installment of 1996 estimated tax. Because the \$8x portion of the return overpayment exceeded the subsequently determined deficiency of \$5x, interest does not begin to run for 1995 before the date that portion was applied to X’s 1996 estimated taxes.

In *Situation 3*, interest on the \$5x deficiency runs from September 14, 1996. Although A’s 1995 taxes were due on April 15, 1996, A’s 1995 taxes were not underpaid until the \$20x was refunded without interest to A on September 14, 1996.

In *Situation 4*, interest runs from September 14, 1996, on \$20x of the deficiency, and from April 15, 1996, on the remaining \$5x of the deficiency. Because A’s 1995 taxes of \$105x were due on April 15, 1996, and A had only paid \$100x as of that date, A’s 1995 taxes were underpaid by \$5x on April 15, 1996. Nevertheless, A was not underpaid with respect to the \$20x until that amount was refunded to A on September 14, 1996.

In all situations, the estimated tax rules in effect for the tax year for which the



election to credit a return overpayment is effective are used to determine when the overpayment is applied to that tax year's estimated taxes, and, thus, for determining when interest begins to run on the subsequently determined deficiency.

#### HOLDING

When a taxpayer reports an overpayment on its income tax return, interest will be assessed on that portion of a subsequently determined deficiency for the overpayment return year that is less than or equal to the overpayment as of: (1) the date on which the Service refunds the overpayment without interest; or (2) the date on which the overpayment is applied to the succeeding year's estimated taxes. Interest will be assessed on any remaining portion of the deficiency from the original due date of the tax for the overpayment return year.

#### EFFECT ON OTHER REVENUE RULINGS

Rev. Rul. 88-98, Rev. Rul. 84-58, and

Rev. Rul. 77-475 are modified and, as modified, are superseded.

#### PROSPECTIVE APPLICATION

Pursuant to § 7805(b), this ruling will not be applied adversely to a taxpayer that designated an overpayment to apply to an installment of estimated tax in accordance with Rev. Rul. 84-58 prior to October 4, 1999.

#### DRAFTING INFORMATION

The principal author of this revenue ruling is John J. McGreevy of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling contact Mr. McGreevy at (202) 622-4910 (not a toll-free call).

#### Section 7520.—Valuation Tables

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 1999. See Rev. Rul. 99-41, page 439.

#### Section 7805.—Rules and Regulations

*26 CFR 301.7805-1: Rules and regulations.*

If an overpayment claimed on a return is credited to the succeeding year's estimated tax or refunded without interest, from what date will interest be assessed on a subsequently determined deficiency for the overpayment return year. See Rev. Rul. 99-40, page 441.

#### Section 7872.—Treatment of Loans With Below-Market Interest Rates

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 1999. See Rev. Rul. 99-41, page 439.

# Part III. Administrative, Procedural, and Miscellaneous

## Prohibition of *Ex Parte* Communications Between Appeals Officers and Other Internal Revenue Service Employees

### Notice 99-50

This notice provides a proposed revenue procedure that, when finalized, will provide guidance to address, in part, the directive in the Internal Revenue Service Restructuring and Reform Act of 1998, P.L. 105-206, 112 Stat. 685 (RRA 98), to develop a plan to prohibit *ex parte* communications between officers of the Internal Revenue Service Office of Appeals (Appeals) and other Internal Revenue Service employees that appear to compromise the independence of Appeals Officers.

Section 1001(a)(4) of RRA 98 states that the Commissioner's plan to reorganize the Internal Revenue Service shall ensure an independent Appeals function within the Internal Revenue Service. The Treasury Department and the Internal Revenue Service are developing the reorganization plan. As part of that plan, guidance for Internal Revenue Service personnel and taxpayers is being developed to address the prohibition of *ex parte* communications between Appeals Officers and other Internal Revenue Service employees that appear to compromise the independence of Appeals Officers.

The proposed revenue procedure includes guidance, in the form of a series of questions and answers, that address situations frequently encountered by Appeals Officers during the course of an administrative appeal.

Before issuing final guidance, the Treasury Department and the Service invite comments from the public to aid in the development of this revenue procedure. The prohibition on *ex parte* communications will not take effect until the revenue procedure is issued in final form. In the interim, existing procedures relating to communications in the course of Appeals consideration of disputes remain in effect. Comments should be submitted by December 3, 1999 either to:

Internal Revenue Service  
National Director of Appeals

Attn.: C:AP:CIIT  
1111 Constitution Ave.  
Washington, DC 20224  
or electronically via: [http://www.irs.gov/prod/tax\\_regs/comments.html](http://www.irs.gov/prod/tax_regs/comments.html) (the Service Internet site).

*26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.*

## PROPOSED REV. PROC. 99-XX

### TABLE OF CONTENTS

#### SECTION 1. PURPOSE AND SCOPE

#### SECTION 2. BACKGROUND

#### SECTION 3. GUIDANCE CONCERNING THE EX PARTE COMMUNICATIONS PROHIBITION DESCRIBED IN SECTION 1001(a)(4) OF THE INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998

#### SECTION 4. EFFECTIVE DATE

### SECTION 1. PURPOSE AND SCOPE

Section 1001(a) of the Internal Revenue Service Restructuring and Reform Act of 1998, P.L. 105-206, 112 Stat. 685 (RRA 98), states that "The Commissioner of Internal Revenue shall develop and implement a plan to reorganize the Internal Revenue Service. The plan shall . . .

(4) ensure an independent appeals function within the Internal Revenue Service, including the prohibition in the plan of *ex parte* communications between appeals officers and other Internal Revenue Service employees to the extent that such communications appear to compromise the independence of the appeals officers."

This revenue procedure contains guidance for Service personnel and taxpayers to address the prohibition of *ex parte* communications between Appeals Officers and other Internal Revenue Service employees that appear to compromise the independence of Appeals Officers. The guidance is in the form of a series of questions and answers that address situations frequently encountered by Appeals Officers during the course of an administrative appeal.

### SECTION 2. BACKGROUND

In 1927, the Internal Revenue Service established an administrative appeal process to resolve tax disputes without litigation. Local appeals offices have traditionally been separate from the IRS office that proposed the adjustment. However, section 1001(a)(4) of RRA 98 requires the IRS, as part of its reorganization plan, to establish an independent Office of Appeals — one that may not be influenced by tax collection or examination employees through *ex parte* communications with Appeals Officers that appear to compromise the independence of Appeals Officers.

### SECTION 3. GUIDANCE CONCERNING THE EX PARTE COMMUNICATIONS PROHIBITION DESCRIBED IN SECTION 1001(a)(4) OF THE INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998

***Q-1 What is "ex parte communication" and when is it prohibited?***

A-1 For the purposes of this revenue procedure, *ex parte* communications are communications that take place in the absence of one of the parties to the controversy — specifically the taxpayer or his or her representative (taxpayer/representative). *Ex parte* communications between Appeals Officers and other Internal Revenue Service employees are prohibited to the extent that such communications appear to compromise the independence of the Appeals Officers.

***Q-2 Does the prohibition on ex parte communications extend to discussions between the Appeals Officer and the originating office during the course of preliminary review of a newly assigned case?***

A-2 The Appeals Officer may ask general or clarifying questions which do not address the strengths and weaknesses of the issues and positions taken in the case. For example, the Appeals Officer may ask for clarification of a factual description or legal assertion in the file without involving the taxpayer/representative. The Appeals Officer may also ask whether cer-

tain information was requested and whether it was received. The Appeals Officer, however, may not engage in discussions of the strengths and weaknesses of the issues and positions in the case, which would appear to compromise the Appeals Officer's independence.

**Q-3 Does the prohibition on ex parte communications change the criteria for premature referrals?**

A-3 As a general rule, there is no change to current procedures. In essence, RRA 98 reinforces the instructions in Internal Revenue Manual 8.2.1.2 and reaffirms Appeals' role as the settlement arm of the Service. If a case is not ready for Appeals consideration, the Appeals Officer may return it for further development or for other reasons described in IRM 8.2.1.2. The Appeals Officer may communicate with Examination regarding the anticipated return of the case to the originating function, but may not engage in a discussion of the strengths and weaknesses of specific issues or positions, or the case as a whole, as part of a discussion of whether the premature referral guidelines require further Examination activity.

**Q-4 Is there any change to the Appeals new issue policy?**

A-4 No. New issues must continue to satisfy the "material" and "substantial" tests of IRM 8.6.1.4 and succeeding sections. The prohibition against ex parte communications does not affect Appeals' existing policy about raising new issues in Appeals. However, any new issue must first satisfy Appeals' new issue policy. If discussions with the originating function are needed in order to evaluate the strengths and weaknesses of the possible new issue, the taxpayer/representative must be given an opportunity to participate in such discussions. Appeals will continue to follow the principles of Policy Statement P-8-49 and the "General Guidelines" outlined in IRM 8.6.1.4.2 in deciding whether or not to raise a new issue.

**Q-5 May Appeals Officers continue to have ongoing communication with the originating function during the course of an appeal?**

A-5 The prohibition on ex parte communications will affect the manner in which Appeals has traditionally operated during the course of the appeal. The Appeals Officer must give the taxpayer/representa-

tive the opportunity to participate in any discussions with the originating function regarding the strengths and weaknesses of an issue or position in the case.

**Q-6 What should the Appeals Officer do if new information or evidence is submitted? Can Appeals still return the new material to the originating function for review and comment?**

A-6 There is no change to existing procedures. The principles in IRM 8.2.1.2.2 remain in effect. The originating function should be given the opportunity to timely review and comment on significant new information presented by the taxpayer. "Significant new information" is information of a non-routine nature which, in the judgment of the Appeals Officer, may have had an impact on the originating function's findings or which may impact on the Appeals Officer's independent evaluation of the litigating hazards. Generally, the review can be accomplished by sending the material to the originating function while Appeals retains jurisdiction of the case and proceeds with resolution of other issues. However, if it appears that important new information or evidence was purposely withheld from the originating function, the entire case should be returned to the originating function and jurisdiction relinquished pursuant to IRM 8.2.1.2.2(3). The taxpayer/representative must be notified when a case is returned to the originating function or new material not available during initial consideration has been sent to the originating function. The results of the originating function's review of the new information will be communicated to the taxpayer/representative.

**Q-7 Does the prohibition on ex parte communications have any impact on the relationship between Appeals and Counsel?**

A-7 Chief Counsel is the legal adviser to the Commissioner of Internal Revenue and his or her officers and employees on all matters pertaining to the administration and enforcement of the internal revenue laws and related statutes. Chief Counsel's authority encompasses the provision of comprehensive legal advice to IRS employees, including employees in the Appeals organization, relating to the enforcement and administration of such laws. The prohibition on ex parte communication does not preclude Chief

Counsel attorneys from advising Appeals Officers of the legal position of Chief Counsel on specific questions of law, assisting Appeals Officers in comprehending or interpreting specific legal authorities or otherwise providing legal assistance to Appeals Officers in the course of their duties. Appeals Officers are cautioned, however, that while they may obtain legal advice from the Office of Chief Counsel, they remain responsible for independent evaluation of the strengths and weaknesses of specific issues or positions in the case, or of the case as a whole, and for making independent judgments concerning the hazards of litigation. The prohibition on ex parte communications will have no impact on the procedures in Rev. Proc. 87-24, 1987-1 C.B. 720, or subsequent procedures relating to the administration of the Appeals process for cases docketed in the United States Tax Court.

**Q-8 Appeals is required to submit certain cases to the Joint Committee on Taxation for review. On occasion, the Joint Committee will question a settlement or raise a new issue. Are communications with the Joint Committee covered by the ex parte communications prohibition?**

A-8 No. The prohibition applies only to communications between the Appeals Officer and other Internal Revenue Service employees.

**Q-9 Does the prohibition on ex parte communications have any impact on the requirement that ISP issues in cases in Appeals jurisdiction be reviewed and approved by the Appeals ISP Coordinator?**

A-9 No. Existing procedures for review and approval remain in place. The Appeals ISP Coordinator serves as a resource person for all Appeals Officers. The purpose of the review is to ensure consistency of settlements and adherence to approved settlement guidelines. Communications between the Appeals Officer and the Appeals ISP Coordinator are entirely internal within Appeals, and consequently, the ex parte communications prohibition does not apply.

**Q-10 Delegation Order 247 gives Examination case managers limited settlement authority to resolve ISP coordinated issues which have Appeals Settlement Guidelines, provided that they secure the review and approval of both the Examination and Appeals ISP Coordinators.**

***Would such communications constitute a violation of the ex-parte communications prohibition?***

A-10 No. The purpose of the review is to ensure that the resolution by Examination fits within the guidelines developed by Appeals and that the application of the guidelines is consistent. The role of the Appeals ISP coordinator is directive in nature and has no impact on the independence of Appeals Officers.

***Q-11 Does the prohibition on ex parte communications come into play in the context of meetings which include representatives from Appeals, Counsel, Collection and Examination (ACCE meetings), industry wide ISP coordination meetings, or meetings of Compliance Councils or the Large Case Policy Board?***

A-11 Meetings of this type may include general discussions of how to handle technical issues or procedural matters, but these discussions are generally not case specific. Therefore, the prohibition on ex parte communications would not apply. Similarly, the prohibition would not apply to discussions relating to cases which are not under Appeals jurisdiction. However, if a case-specific discussion arises on a case which is open in Appeals jurisdiction, the discussion should be postponed. Appeals must provide the taxpayer/representative with an opportunity to participate when an Appeals Officer engages in any case-specific discussion with the originating office which addresses the strengths and weaknesses of an issue or position in a specific case that is open in Appeals jurisdiction.

***Q-12 Does the ex parte communications prohibition apply to Appeals consideration of cases which originated in the Collection function, e.g., collection due process (CDP) appeals, collection appeals program (CAP) cases, offers in compromise, trust fund recovery penalty cases, etc.?***

A-12 Yes. The principles discussed in A-2, A-5 and A-6 above apply to discussions between Appeals Officers and Collection Division employees. The Appeals Officer may inquire about how the originating function reached its decision and the manner in which the law was applied if such information is not clear in the administrative file. The Appeals Officer may also ask whether certain information was requested and whether it was received. The

Appeals Officer, however, may not engage in discussions of the strengths and weaknesses of the issues and positions in the case, which would appear to compromise the Appeals Officer's independence. Any discussion of the strengths and weaknesses relating to the proposed action requires that the taxpayer/representative be given an opportunity to participate in the discussion. Section 3401 of RRA 98, regarding due process in IRS collection actions, states that at a hearing, the Appeals Officer must obtain verification "that the requirements of any applicable law or administrative procedure have been met." Communications seeking to verify compliance with legal and administrative requirements are similar to the general or clarifying inquiries discussed in A-2 above. Therefore, such communications are not subject to the prohibition on ex parte communications.

***Q-13 Does the prohibition on ex parte communications have any impact on Appeals Officer communications with the Office of the National Taxpayer Advocate (ONTA) on an open case?***

A-13 Communications by an Appeals Officer with the ONTA that are initiated by the ONTA are not subject to the prohibition because the Appeals Officer may assume that the ONTA is acting at the request, and with the consent, of the taxpayer.

***Q-14 Is the prohibition on ex parte communications limited to oral communications?***

A-14 No. The prohibition is not limited to oral communications. It applies to any form of communication, oral or written (manually or computer generated).

***Q-15 Several responses in this document refer to the taxpayer/representative being given an "opportunity to participate." What does this phrase mean?***

A-15 It means that the taxpayer/representative will be given a reasonable opportunity to attend a meeting or be a participant in a conference call with the Appeals Officer and the originating function when the strengths and weaknesses of issues or positions in the taxpayer's case are discussed. The taxpayer/representative will be notified of a scheduled meeting or conference call and invited to participate. If the taxpayer/representative is unable to participate at the scheduled time, reasonable accommodations will be made to reschedule. This does not mean that the

Service will delay scheduling a meeting for a protracted period of time to accommodate the taxpayer/representative. Facts and circumstances will govern what constitutes a reasonable delay.

***Q-16 What if the taxpayer/representative declines to participate or seeks to delay the meeting/conference call beyond a reasonable time?***

A-16 The Appeals Officer should document the taxpayer/representative's declination or the reason for proceeding in the absence of the taxpayer/representative. This could be accomplished by an entry in the Case Activity Record and a letter to the taxpayer/representative.

***Q-17 The IRM provides for computational review within 120 days of a team case being assigned. If this review reveals computational errors affecting the proposed tax liability, can the Appeals Officer discuss these errors with Examination without violating the prohibition on ex parte communications?***

A-17 If the error involves the interpretation of a legal principle or application of the law to a particular set of facts, the taxpayer/representative should be afforded the opportunity to participate in any scheduled meetings with Examination to discuss the discrepancy. In such cases, there may be instances where the best approach is for Appeals to return the case to Examination for further development and correction. However, if the discrepancy is purely mathematical, any discussion would likely be informational only, and no violation of the prohibition is likely. Both the taxpayer/representative and Examination would be advised before a mathematical correction is made.

***Q-18 What impact does the prohibition on ex parte communications have on pre-conference meetings with Examination on team cases?***

A-18 This is clearly a situation where the intended communications could appear to compromise the independence of Appeals Officers. Pre-conference meetings should not be held unless the taxpayer/representative is given the opportunity to participate.

***Q-19 Does the prohibition on ex parte communications apply to post-settlement conferences with Examination?***

A-19 No. The post-settlement conference with Examination is intended to inform Examination about the settlement of issues and to supply information that may

be helpful in the examination of subsequent cycles. Appeals' objective is to ensure that Examination fully understands the settlement and the rationale for the resolution. In addition, the conference provides an opportunity for Appeals to discuss with Examination the application of Delegation Orders 236 and 247 (i.e., settlement by Examination consistent with prior Appeals settlement or ISP settlement guidelines) to issues settled by Appeals. Because the tax periods before Appeals have been finalized, discussion of the resolution of issues present in those periods does not jeopardize the independence of Appeals. As long as there is no discussion of new issues not previously considered by Appeals, the post-settlement communication is not subject to the prohibition on ex parte communications.

***Q-20 Does the prohibition on ex parte communications alter existing procedures for handling claims filed late in the Appeals process?***

A-20 There is no change to existing procedure. The claim should be referred to the originating function with a request for expedited examination. Because such a referral is in the nature of a ministerial act and involves no discussion by Appeals with Examination about the strengths and weaknesses of the issue, the referral is not subject to the prohibition.

#### **SECTION 4. EFFECTIVE DATE**

This revenue procedure is effective for communications between Appeals Officers and other Internal Revenue Service employees which take place after the date this revenue procedure is published in the Internal Revenue Bulletin in final form.

#### **DRAFTING INFORMATION**

The principal author of this revenue procedure is David M. Geber of the Office of Corporate and Individual Income Tax, National Office Appeals. For further information regarding this revenue procedure, contact Mr. Geber at (202) 694-1827 (not a toll free number).

### **Work Opportunity and Welfare-to-Work Tax Credits**

#### **Notice 99-51**

The Tax and Trade Relief Extension Act of 1998, Pub. L. No. 105-277 (the

Act) was enacted on October 21, 1998. Among the Act's provisions were (1) the retroactive reenactment and extension of the Work Opportunity Tax Credit (WOTC) under section 51 of the Internal Revenue Code, and (2) the extension of the Welfare-to-Work (WtW) Tax Credit under section 51A of the Code. This notice briefly describes the two credits and clarifies their operation where an individual is employed by more than one employer in the process of moving from welfare to work.

Treasury and the IRS understand that similar questions may arise when individuals who are members of other targeted groups (such as qualified veterans and qualified ex-felons) move from one employer to another. Although this notice focuses primarily on certain former welfare recipients, the analysis set forth herein applies to members of any targeted group.

#### **Background**

##### ***Substantive Requirements for the WOTC***

###### **In general**

Section 51 of the Code provides a tax credit to employers who hire individuals belonging to one of the eight targeted groups set forth in section 51(d). The credit generally equals 40 percent of qualified first-year wages up to \$6,000 for certified workers who work at least 400 hours in the first year (for a maximum credit of \$2,400 per certified worker). Sections 51(a) and (b). The credit percentage is reduced to 25 percent for certified workers who work at least 120 hours but less than 400 hours. Section 51(i)(3).

"Qualified first-year wages" are wages attributable to services rendered during the one-year period beginning on the date the individual begins to work for the employer. Section 51(b) of the Code.

Qualified IV-A Recipients constitute one of the eight targeted WOTC groups. A Qualified IV-A Recipient is a member of a family that receives assistance under a State plan approved under part A of Title IV of the Social Security Act (relating to assistance for needy families with minor children) for any nine months during the 18-month period ending on the hiring date.

For purposes of the credit, an individual is not a member of a targeted group

unless the individual is certified as such by a designated local agency, usually a state employment security agency. Section 51(d) of the Code; Notice 96-52, 1996-2 C.B. 218; and Notice 97-54, 1997-2 C.B. 306.

Section 52(c) of the Code provides that the WOTC generally is not available to any organization that is exempt from tax.

The Act retroactively reenacted and extended the WOTC to June 30, 1999.

##### ***Substantive Requirements for the WtW Tax Credit***

###### **In general**

Section 51A of the Code provides a tax credit to employers that hire individuals who are Long-Term Family Assistance Recipients, as defined in section 51A(c). The amount of the WtW tax credit differs from the WOTC. The WtW tax credit is 35 percent of qualifying first-year wages and 50 percent of qualifying second-year wages of up to \$10,000. Sections 51A(a) and (b)(4).

"Qualified-first year wages" are wages attributable to service rendered during the one-year period beginning on the day the individual begins work for the employer. "Qualified second-year wages" are wages attributable to service rendered during the one-year period beginning on the day after the last day of the one-year period for measuring "qualified first-year wages." Section 51A(b) of the Code. For purposes of the WtW tax credit (although not for the WOTC), wages include certain tax-exempt amounts relating to accident and health coverage, educational assistance programs, and dependent care assistance programs. Section 51A(b)(5). The maximum WtW tax credit for first-year wages is \$3,500 and for second-year wages is \$5,000. Section 51A(a).

A Long-Term Family Assistance Recipient is an individual whom the designated local agency certifies as belonging in one of the following groups:

- (a) members of a family that have received family assistance under a State plan approved under part A of title IV of the Social Security Act for at least 18 consecutive months ending on the hiring date;
- (b) members of a family that have received family assistance for a total of at least 18 months (whether or not con-

secutive) beginning after August 5, 1997, who are hired by the employer after February 5, 1999, and who have a hiring date which is not more than two years after the end of the earliest such 18-month period; or

(c) members of a family that cease after August 5, 1997, to be eligible for family assistance by reason of a limitation imposed by Federal or State law on the maximum period such assistance can be paid and who have a hiring date which is not more than two years after the date of such cessation.

Like the WOTC, the WtW tax credit generally is not available to any organization that is exempt from tax. Section 51A(d) of the Code.

The Act extended the WtW tax credit to June 30, 1999.

### **Coordination of the WOTC and WtW Tax Credit**

In some instances, an individual meets the requirements both as a Qualified IV-A Recipient for purposes of the WOTC and as a Long-Term Family Assistance Recipient for purposes of the WtW tax credit. In any taxable year, an employer who hires such an individual may choose to claim either the WOTC or the WtW tax credit, but not both, with respect to that employee. Section 51A(e) of the Code. For a further discussion of the coordination of the WOTC and WtW tax credit, see Notice 97-54, *supra*.

### **Availability of Credits Where an Individual Moves from Employer to Employer while Moving from Welfare to Work**

If an individual qualifies as a Qualified IV-A Recipient and/or a Long-Term Family Assistance Recipient on the hiring date, the WOTC and/or WtW tax credit, as applicable, generally is available to employers other than those described in section 52(c) of the Code, regardless of any other circumstances applicable to the individual on that date.

For example, if the individual meets the applicable statutory requirements (e.g., the nine out of 18-month requirement for WOTC purposes or one of the requirements for purposes of the WtW tax credit) on the hiring date, the employer may claim the applicable credit even if

the individual was working for another employer immediately before the hiring date and even if that other employer claimed the same credit for all or part of the wages paid to the individual. However, a successor employer or a second employer that is part of the same controlled group of businesses generally is treated as a continuation of the first employer. Sections 51(k), 51A(d) and 52(a) and (b) of the Code.

For WOTC purposes, as noted above, the same analysis applies in the case of individuals other than Qualified IV-A Recipients. In each case, employment by an unrelated employer immediately prior to the hiring date does not preclude an individual from being a member of a targeted group if the individual can still meet the applicable statutory requirements on the hiring date.

### **Examples**

The following examples illustrate the application of these requirements where an employee is employed by more than one employer while moving from welfare to work.

For purposes of these examples, it is assumed that all of the applicable requirements for credit eligibility are met.

**Example 1:** On October 1, 1998, X, a charitable organization that is exempt from tax under section 501(a) of the Internal Revenue Code, hires A to participate in a transition-to-work program. A's family has been receiving assistance under a qualified IV-A program for the nine consecutive months ending on September 30, 1998. A works for X for three months in the job training program. On January 1, 1999, Y, a taxable business, hires A for a permanent job. On the day Y hires A, A is a qualified IV-A recipient for purposes of the WOTC, because A's family has received assistance under a qualified IV-A program during nine of the preceding 18 months. (In fact, A's family has received such assistance for nine of the preceding 12 months.) Y's only relationship to X is that it hires workers from X's transition-to-work program and occasionally makes charitable contributions to X. Therefore, Y is not a successor employer to X and is not part of the same controlled group of businesses as X. Y may claim the WOTC for up to \$6,000 of the wages Y pays to A

for services rendered during the one-year period commencing on January 1, 1999, the day A begins to work for Y.

**Example 2:** The facts are the same as in Example 1, except that A works for X for 12 months, and Y hires A on October 1, 1999. On the day Y hires A, A is not a qualified IV-A recipient for purposes of the WOTC, because A's family only received assistance under a qualified IV-A program for six of the 18 months preceding the October 1, 1999 hiring date. Thus, Y may not claim the WOTC for any wages that it pays to A.

**Example 3:** On October 1, 1998, Z, a taxable business, hires B. B's family has been receiving assistance under a qualified IV-A program for the nine consecutive months ending on September 30, 1998. B works for Z for three months, and Z claims the WOTC with respect to wages paid to B. On January 1, 1999, Y, a taxable business, hires B. On the day Y hires B, B is a qualified IV-A recipient for purposes of the WOTC, because B's family has received assistance under a qualified IV-A program during nine of the preceding 18 months. (In fact, B's family has received such assistance for nine of the preceding 12 months.) Y has no relationship to Z. Therefore, Y is not a successor employer to Z and is not part of the same controlled group of businesses as Z. Y may claim the WOTC for up to \$6,000 of the wages Y pays to B for services rendered during the one-year period commencing on January 1, 1999, the day B begins to work for Y.

**Example 4:** The facts are the same as in Example 3, except that on January 1, 1999, Y acquired from Z substantially all of the property used in the trade or business in which Z employed B. As part of the same transaction, Y became B's employer. In the three months during which B worked for Z, Z claimed the WOTC with respect to \$4,000 of wages paid to B. Because Y is a successor employer to Z, Y is treated as a continuation of Z for purposes of the WOTC. Thus, Y may claim the WOTC only with respect to \$2,000 of wages that Y pays to B for services rendered during the nine-month period beginning on January 1, 1999, the day B starts to work for Y.

**Example 5:** On March 1, 1999, X, a charitable organization that is exempt from tax under section 501(a) of the

Code, hires C to participate in its transition-to-work program. C's family received assistance under a qualified IV-A program for the 18 consecutive months beginning August 6, 1997, and ending February 5, 1999. C participates in X's program for four months. On June 30, 1999, Z, a taxable business, hires C. On the day Z hires C, C is a long-term family assistance recipient for purposes of the WtW tax credit, because C's family has received assistance under a qualified IV-A program for a total of 18 months beginning after August 5, 1997, C is hired by Z after February 5, 1999, and C has a hiring date which is not more than two years after the end of the 18-month period. Z's only relationship to X is that Z hires

workers from X's transition-to-work program and occasionally provides technical assistance to X. Therefore, Z is not a successor employer to X and is not part of the same controlled group of businesses as X. Z may claim the WtW tax credit both for up to \$10,000 of the wages Z pays to C for services rendered during the one-year period commencing on June 30, 1999, the day C begins to work for Z, and for up to \$10,000 of the wages Z pays to C for services rendered during the next one-year period commencing on June 30, 2000.

(Under the facts of this example 5, C also is a qualified IV-A recipient for purposes of the WOTC. Thus, for any particular taxable year of Z in which Z pays C for services rendered during C's first one-

year period of employment with Z, Z may elect to claim the WOTC rather than the WTW tax credit for wages paid to C. Notice 97-54, supra.)

#### *Drafting Information*

The principal author of this Notice is Robert Wheeler, Office of Assistant Chief Counsel (Employee Benefits and Exempt Organizations). However, other personnel from the IRS and Treasury Department participated in its development. For further information regarding this Notice, contact Robert Wheeler at (202) 622-6060 (not a toll-free call).

**Rev. Proc. 99-34**

**TABLE OF CONTENTS**

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**PART ONE – GENERAL INFORMATION**

Section 1.1 – Overview of Revenue Procedure 99-34 ..... 451  
Section 1.2 – Requirements for Acceptable Substitute Forms 1096, 1098, 1099, 5498, and W-2G ..... 454  
Section 1.3 – Definitions ..... 456  
Section 1.4 – Instructions for Preparing Paper Forms That Will Be Filed With the IRS (Copy A) ..... 457  
Section 1.5 – Substitute Statements to Form Recipients and Form Recipient Copies ..... 459

**PART TWO – SPECIFICATIONS FOR SUBSTITUTE FORMS TO BE FILED WITH THE IRS (EXCEPT FORM W-2G)**

Section 2.1 – Specifications ..... 464

**PART THREE – SPECIFICATIONS FOR SUBSTITUTE FORM W-2G TO BE FILED WITH THE IRS**

Section 3.1 – General ..... 467  
Section 3.2 – Specifications for Copy A of Form W-2G ..... 467

**PART FOUR – ADDITIONAL INSTRUCTIONS FOR SUBSTITUTE FORMS 1098, 1099, 5498, AND W-2G**

Section 4.1 – Copies B, C, D, 1, and 2 ..... 468  
Section 4.2 – OMB Requirements ..... 469  
Section 4.3 – Reproducible Copies ..... 470  
Section 4.4 – Effect on Other Revenue Procedures ..... 471

**PART FIVE – EXHIBITS**

Section 5.1 – Exhibits of Forms in the Revenue Procedure ..... 472



## Part 1

### General Information

#### Section 1.1 – Overview of Revenue Procedure 99–34

##### 1.1.1 Purpose

The purpose of this revenue procedure is to set forth the 1999 requirements for:

- Using official Internal Revenue Service (IRS) forms to file information returns with the IRS,
- Preparing acceptable substitutes of the official IRS forms to file information returns with the IRS, and
- Using official or acceptable substitute forms to furnish information to a recipient.

##### 1.1.2 Which Forms Are Covered?

This revenue procedure contains specifications for the following information returns:

Form	Title
1096	Annual Summary and Transmittal of U.S. Information Returns
1098	Mortgage Interest Statement
1098-E	Student Loan Interest Statement
1098-T	Tuition Payments Statement
1099-A	Acquisition or Abandonment of Secured Property
1099-B	Proceeds From Broker and Barter Exchange Transactions
1099-C	Cancellation of Debt
1099-DIV	Dividends and Distributions
1099-G	Certain Government and Qualified State Tuition Program Payments
1099-INT	Interest Income
1099-LTC	Long-Term Care and Accelerated Death Benefits
1099-MISC	Miscellaneous Income
1099-MSA	Distributions From an MSA or Medicare+Choice MSA
1099-OID	Original Issue Discount
1099-PATR	Taxable Distributions Received From Cooperatives
1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
1099-S	Proceeds From Real Estate Transactions
5498	IRA Contribution Information
5498-MSA	MSA or Medicare+Choice MSA Information
W-2G	Certain Gambling Winnings

### 1.1.3 Scope

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For purposes of this revenue procedure, a substitute form or statement is one that is not printed by the IRS. For a substitute form or statement to be acceptable to the IRS, it must conform to the official form or the specifications outlined in this revenue procedure. **Do not submit any substitute forms or statements to the IRS for approval.** Privately printed forms may not state “This is an IRS approved form.”

Filers making payments to certain recipients during a calendar year are required by the Internal Revenue Code (IRC) to file information returns with the IRS for these payments. These filers must also provide this information to their recipients. In some cases, this also applies to payments received. See **Section 1.5** for the specifications that apply to form recipient statements (generally Copy B).

In general, section 6011 of the IRC contains requirements for filers of information returns. A filer must file information returns on magnetic media (including electronic filing) or on paper. A filer who is required to file 250 or more information returns of any one type during a calendar year must file those returns on magnetic media.

**Exception.** Filers are not required to use magnetic media when filing 250 or more Forms 1098-E or 1098-T.

Although not required, small volume filers (fewer than 250 returns during a calendar year) and Form 1098-E and 1098-T filers may file the forms on magnetic media. See the legal requirements for filing information returns (and providing a copy to a payee) in the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G. In addition, see **Pub. 1220**, Specifications for Filing Forms 1098, 1099, 5498, and W-2G Magnetically or Electronically.

### 1.1.4 For More Information

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The IRS prints and provides the forms on which various payments must be reported. Alternatively, filers may prepare substitute copies of these IRS forms and use such forms to report payments to the IRS.

- For copies of the official forms and the instruction booklet for the reporting year, call our toll-free number **1-800-TAX-FORM (1-800-829-3676)**.
  - The IRS operates a central call site in Martinsburg, WV, to answer questions related to information returns, penalties, and backup withholding. Call **304-263-8700** Monday through Friday 8:30 a.m. to 4:30 p.m. eastern time. The TTY/TDD number is **304-267-3367**.
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### 1.1.5 Changes to the Revenue Procedure

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The following changes have been made to the Revenue Procedure and exhibits:

- **Form 1099-G**
  1. The title was changed to “Certain Government and Qualified State Tuition Program Payments.”
  2. Box 5, “Qualified state tuition program earnings,” was added.
- **Form 1099-INT**
  1. Box 5, “Investment expenses,” was added.
  2. Boxes 5 and 6 were renumbered 6 and 7.
- **Form 1099-MSA**
  1. The title was changed to “Distributions From an MSA or Medicare+Choice MSA.”
  2. Box 4 was added to report the account’s fair market value on the date of the account holder’s death.
  3. A checkbox for a Medicare+Choice MSA was added in new box 5.
  4. New code 6 was added to the distribution codes in box 3 for a death distribution to a nonspouse beneficiary from an MSA after the year of death.
- **Form 1099-OID**
  1. Box 6, “Original issue discount on U.S. Treasury obligations,” was added.
  2. Box 7, “Investment expenses,” was added.
- **Form 1099-R** – The following changes were made to box 7:
  1. Code J was changed to “Distribution from a Roth IRA.”
  2. Code R, “Recharacterized IRA Contribution,” was added.
  3. Codes B, C, and K were eliminated.
- **Form 5498** – The “Roth conv.” checkbox in box 6 was deleted and a new checkbox titled “Rechar.” was added to identify recharacterized IRA contributions in a trustee-to-trustee transfer.
- **Form 5498-MSA**
  1. The title was changed to “MSA or Medicare+Choice MSA Information.”
  2. A “Medicare+Choice MSA” checkbox was added to box 6.
- The IRS mailing address in Section 1.2 has changed as follows:

Internal Revenue Service  
Attn: Substitute Forms Program  
OP:FS:FP:F:CD  
1111 Constitution Ave., NW  
Room 5244 IR  
Washington, DC 20224

- The Information Reporting Program Bulletin Board System (IRP-BBS) is no longer available and has been deleted from **Sections 1.1** and **4.3**.
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## Section 1.2 – Requirements for Acceptable Substitute Forms 1096, 1098, 1099, 5498, and W-2G

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### 1.2.1 Introduction

Paper substitutes for Form 1096 and Copy A of Forms 1098, 1099, 5498, and W-2G that totally conform to the specifications listed in this revenue procedure may be privately printed and filed as returns with the IRS. The reference to the Department of the Treasury - Internal Revenue Service should be included on all such forms. If you are uncertain of any specification and want it clarified, you may submit a letter citing the specification, stating your understanding and interpretation of the specification, and enclosing an example of the form (if appropriate) to:

Internal Revenue Service  
Attn: Substitute Forms Program  
OP:FS:FP:F:CD  
1111 Constitution Ave., NW  
Room 5244 IR  
Washington, DC 20224

**Note:** *Allow at least 45 days for the IRS to respond.*

Forms 1096, 1098, 1099, 5498, and W-2G are subject to annual review and possible change. Therefore, filers are cautioned against overstocking supplies of privately printed substitutes. **The specifications contained in this revenue procedure apply to 1999 forms only.**

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### 1.2.2 Copy A

Proposed substitutes for Copy A that do not conform to the specifications in this revenue procedure are not acceptable. Further, if you file such forms with the IRS, you may be subject to a penalty for failure to file an information return under section 6721 of the IRC. Generally, the penalty is \$50 for each failure to file a form (up to \$250,000) that the IRS cannot accept as a return because it does not meet the provisions in this revenue procedure. No IRS office is authorized to allow deviations from this revenue procedure.

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**1.2.3 Copy B and Copy C**

Copies B and Copies C of the following forms must contain the information in **Section 1.5** to be considered a “statement” or “official form” under the applicable provisions of the IRC. The format of this information is at the discretion of the filer with the exception of the location of the tax year, form number, form name, and the information for composite Form 1099 statements as outlined under **Sections 1.5.3 and 1.5.8**.

Copy B of the following forms are:

<b>Form</b>	<b>Recipient</b>
1098	For Payer
1098-E; 1099-A	For Borrower
1098-T	For Student
1099-C	For Debtor
1099-LTC	For Policyholder
1099-S	For Transferor
All other Forms 1099	For Recipient
Forms 5498; 5498-MSA	For Participant
Forms W-2G; 1099-R	(These forms may require Copy B to be attached to the Federal income tax return.)

Copy C of the following forms are:

<b>Form</b>	<b>Recipient</b>
1099-LTC	For Insured
1099-R	For Recipient’s Records
W-2G	For Winner’s Records

**Note:** On Copy C, Form 1099-LTC, you may reverse the locations of the policyholder’s and the insured’s name, street address, city, state, and ZIP code for easier mailing.

## Section 1.3 – Definitions

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- 1.3.1 Form Recipient** **Form recipient** means the person to whom you are required by law to furnish a copy of the official form or information statement. The form recipient may be referred to by different names on various Forms 1099 and related forms (“payer/borrower,” “borrower,” “student,” “debtor,” “policyholder,” “insured,” “transferor,” “payment recipient,” “participant,” or, in the case of Form W-2G, the “winner”). See **Section 1.2.3** earlier.
- 
- 1.3.2 Filer** **Filer** means the person or organization required by law to file a form listed in **Section 1.1.2** with the IRS. As outlined earlier, a filer may be a payer, creditor, recipient of mortgage or student loan interest payments, educational institution, broker, barter exchange, person reporting real estate transactions, trustee or issuer of any individual retirement arrangement or medical savings account, or lender who acquires an interest in secured property or who has reason to know that the property has been abandoned.
- 
- 1.3.3 Substitute Form** **Substitute form** means a paper substitute of Copy A of an official form listed in **Section 1.1.2** that totally conforms to the provisions in this revenue procedure.
- 
- 1.3.4 Substitute Form Recipient Statement** **Substitute form recipient statement** means a paper statement of the information reported on a form listed in **Section 1.1.2** that must be furnished to a person (form recipient), as defined under the applicable provisions of the IRC and the applicable regulations.
- 
- 1.3.5 Composite Substitute Statement** **Composite substitute statement** means one in which two or more required statements (e.g., Forms 1099-INT and 1099-DIV) are furnished to the recipient on one document. However, each statement must be designated separately and must contain all the requisite Form 1099 information except as provided under **Section 1.5**. A composite statement **may not** be filed with the IRS.
-

## Section 1.4 – Instructions for Preparing Paper Forms That Will Be Filed With the IRS (Copy A)

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### 1.4.1 Recipient Information

The form recipient's name, street address, city, state, and ZIP code information should be **typed or machine printed in black ink** in the same format as shown on the official IRS form. Although handwritten forms will be accepted, the IRS prefers that filers **type or machine print** data entries. Also, filers should insert data in the **middle of blocks** well separated from other printing and guidelines, and take measures to guarantee clear, dark black, sharp images. Carbon copies and photocopies are not acceptable. The city, state, and ZIP code must be on the same line.

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The following rules apply to the form recipient's name(s):

- The name of the appropriate form recipient must be shown on the first or second name line in the area provided for the form recipient's name.
- No descriptive information or other name may precede the form recipient's name.
- Only **one** form recipient's name may appear on the first name line of the form.
- If the multiple recipients' names are required on the form, enter on the first name line the recipient name that corresponds to the recipient taxpayer identification number (TIN) shown on the form. Place the other form recipients' names on the second name line (only 2 name lines are allowable).

Because certain states require that trust accounts be provided in a different format, generally filers should provide information returns reflecting payments to trust accounts with the:

- Trust's employer identification number (EIN) in the recipient's TIN area,
  - Trust's name on the recipient's first name line, and
  - Name of the trustee on the recipient's second name line.
- 

### 1.4.2 Account Number Box

You should use the account number box for an account number designation. This number must not appear anywhere else on the form, and this box may not be used for any other item.

Showing the account number is optional. However, it may be to your benefit to include the recipient's account number or designation on paper documents if your recordkeeping system uses for identification purposes the account number or designation in conjunction with, or instead of, the name, social security number, or employer identification number.

If you furnish the account number, the IRS will include it in future notices to you about backup withholding. If you use window envelopes and a reduced rate to mail statements to recipients, be sure the account number does not appear in the window. Otherwise, the Postal Service may not accept them for mailing.

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### 1.4.3 Specifications and Restrictions

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Machine-printed forms should be printed using a 6 lines/inch option, and should be printed in 10 pitch pica (10 print positions per inch) or 12 pitch elite (12 print positions per inch). Proportional spaced fonts are unacceptable. Substitute forms prepared in continuous or strip form must be burst and stripped to conform to the size specified for a single sheet before they are filed with the IRS. The size specified **does not include pinfeed holes**. Pinfeed holes **must not** be present on forms filed with the IRS.

**DO NOT:**

- Use a felt tip marker. The machine used to “read” paper forms generally cannot read this ink type.
- Use dollar signs (\$), ampersands (&), asterisks (\*), commas (,), or other special characters in the numbered money boxes.  
**Exception.** Use decimal points to indicate dollars and cents (e.g., 2000.00 is acceptable).
- Fold Forms 1096, 1098, 1099, or 5498 mailed to the IRS. Mail these forms flat in an appropriately sized envelope or box. Folded documents cannot be readily moved through the machine used in IRS processing.
- Staple Forms 1096 to the transmitted returns. Any staple holes near the return code number may impair the IRS’s ability to machine scan the type of documents.
- Type other information on Copy A.
- Cut or separate the individual forms on the sheet of forms of Copy A (except Forms W-2G).

### 1.4.4 Where To File

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Mail completed paper forms to the IRS service center shown on the back of Form 1096 and in the 1999 **Instructions for Forms 1099, 1098, 5498, and W-2G**. Specific information needed to complete the forms in this revenue procedure is given in those instructions. A chart is included in those instructions giving a quick guide to which form must be filed to report a particular payment.

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## Section 1.5 – Substitute Statements to Form Recipients and Form Recipient Copies

### 1.5.1 Introduction

If you do not use the official IRS form to furnish statements to recipients, you must furnish an acceptable substitute statement. To be acceptable, your substitute statement must comply with the rules in this section. In general, see Regulations sections 1.6042-4, 1.6044-5, 1.6049-6, and 1.6050N-1 to determine how certain statements must be provided to recipients (statement mailing requirements for most Forms 1099-DIV and 1099-INT, all Forms 1099-OID and 1099-PATR, and Form 1099-MISC or 1099-S for royalties).

**Note:** *A trustee of a grantor-type trust may choose to file Forms 1099 and furnish a statement to the grantor under Regulations sections 1.671-4(b)(2)(iii) and (b)(3)(ii). The statement required by those regulations is not subject to the requirements outlined in this section.*

### 1.5.2 Substitute Statements to Recipients for Certain Forms 1099-INT and 1099-DIV, and for Forms 1099-OID and 1099-PATR

The rules in this section apply to Form 1099-INT (except for interest reportable under section 6041), 1099-DIV (except for section 404(k) dividends), 1099-OID, and 1099-PATR. You may furnish form recipients with Copy B of the official Form 1099 or a substitute Form 1099 (form recipient statement) if it contains the same language as the official IRS form (such as aggregate amounts paid to the form recipient, any backup withholding, the name, address, and TIN of the person making the return, and any other information required by the official form). Information not required by the official form should not be included on the substitute form except state income tax withholding information.

You may enter a total of the individual accounts listed on the form only if they have been paid by the same payer. For example, if you are listing interest paid on several accounts by one financial institution on Form 1099-INT, you may also enter the total interest amount. You may also enter a date next to the corrected box if that box is checked.

A substitute form recipient statement for Forms 1099-INT, 1099-DIV, 1099-OID, or 1099-PATR must comply with the following requirements:

1. Box captions and numbers that are applicable must be clearly identified, using the same wording and numbering as on the official form.

**Note:** *For Form 1099-INT, if box 3 is not on your substitute form, you may drop “not included in box 3” from the box 1 caption.*

2. The form recipient statement must contain all applicable form recipient instructions provided on the front and back of the official IRS form. Those instructions may be provided on a separate sheet of paper.
3. The form recipient statement must contain the following in bold and conspicuous type:  
**This important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.**
4. The box caption “**Federal income tax withheld**” must be in boldface type on the form recipient statement.
5. The form recipient statement must contain the Office of Management and Budget (OMB) number as shown on the official IRS form. See Part 4.
6. The form recipient statement must contain the tax year (e.g., 1999), form number (e.g., Form 1099-INT), and form name (e.g., Interest Income) of the official IRS Form 1099. This information must be displayed prominently together in one area of the statement. For example, the tax year, form number, and form name could be shown in the upper right part of the statement. Each copy must be appropriately labeled (such as Copy B, For Recipient). See Part 4 for applicable labels and arrangement of assembly of forms.

**Note:** *Do not include the words “Substitute for” or “In lieu of” on the form recipient statement.*

7. Layout and format of the form is at the discretion of the filer. However, the IRS encourages the use of boxes so that the statement has the appearance of a form and can be easily distinguished from other nontax statements.
8. Each recipient statement must include the direct access telephone number of an individual who can answer questions about the statement. **You must include the telephone number conspicuously anywhere on the recipient statement.**
9. Until new regulations are issued, the IRS will not assess penalties for use of a logo (e.g., the name of the payer in any typeface, font, or style, and/or a symbolic icon) or slogan on a recipient statement if the logo or slogan is used by the payer in the ordinary course of its trade or business. In addition, use

of the logo or slogan must not make it less likely for a reasonable payee to recognize the importance of the statement for tax reporting purposes.

10. A mutual fund family may state separately on one document (e.g., one piece of paper) the dividend income earned by a recipient from each fund within the family of funds as required by Form 1099-DIV. However, each fund and its earnings must be stated separately. The form must contain an instruction to the recipient that each fund's dividends and name, not the name of the mutual fund family, must be reported on the recipient's tax return. **The form cannot contain an aggregate total of all funds.** In addition, a mutual fund family may furnish a single statement (as a single filer) for Forms 1099-INT, 1099-DIV, and 1099-OID information. Each fund and its earnings must be stated separately. The form must contain an instruction to the recipient that each fund's earnings and name, not the name of the mutual fund family, must be reported on the recipient's tax return. **The form cannot contain an aggregate total of all funds.**

### 1.5.3 Composite Substitute Statements for Certain Forms 1099-INT, 1099-DIV, 1099-MISC, and 1099-S, and for Forms 1099-OID and 1099-PATR

A composite form recipient statement is permitted for reportable payments of interest, dividends, original issue discount, patronage dividends, and royalties (Forms 1099-INT (except for interest reportable under section 6041), 1099-DIV (except for section 404(k) dividends), 1099-MISC or 1099-S (for royalties only), 1099-OID, or 1099-PATR) when one payer is reporting more than one of these payments during a calendar year to the same form recipient. Generally, do not include any other Form 1099 information (e.g., 1098 or 1099-A) on a composite statement with the information required on the forms listed in the preceding sentence.

**Exception.** A filer may include Form 1099-B information on a composite form with the forms listed above.

Although the composite form recipient statement may be on one sheet, the format of the composite form recipient statement must satisfy the following requirements in addition to the requirements listed earlier in **Section 1.5.2**.

1. All information pertaining to a particular type of payment must be located and blocked together on the form and separate from any information covering other types of payments included on the form. For example, if you are reporting interest and dividends, the **Form 1099-INT** information must be presented separately from the **Form 1099-DIV** information.
2. The composite form recipient statement must prominently display the tax year, form number, and form name of the official IRS form together in one area at the beginning of each appropriate block of information.
3. Any information required by the official IRS forms that would otherwise be repeated in each information block is required to be listed only once in the first information block on the composite form. For example, there is no requirement to report the name of the filer in each information block. This rule does not apply to any money amounts (e.g., Federal income tax withheld) or to any other information that applies to money amounts.
4. A composite statement is an acceptable substitute only if the type of payment and the recipient's tax obligation with respect to the payment are as clear as if each required statement were furnished separately on an official form.

### 1.5.4 Substitute Statements to Recipients for Certain Forms 1098, 1099, 5498, and W-2G

Statements to form recipients for Forms 1098, 1098-E, 1098-T, 1099-A, 1099-B, 1099-C, 1099-G, 1099-LTC, 1099-MISC, 1099-MSA, 1099-R, 1099-S, 5498, 5498-MSA, W-2G, 1099-DIV (only for section 404(k) dividends reportable under section 6047), and 1099-INT (only for interest of \$600 or more made in the course of a trade or business reportable under section 6041) can be copies of the official forms or an acceptable substitute. To be acceptable, a substitute form recipient statement must meet the following requirements.

1. The tax year, form number, and form name must be the same as the official form and must be displayed prominently together in one area on the statement. For example, they may be shown in the upper right part of the statement.
2. The filer's and the form recipient's identifying information required on the official IRS form must be included.
3. Each substitute recipient statement for Forms W-2G, 1098, 1098-E, 1098-T, 1099-A, 1099-B, 1099-DIV, 1099-G (excluding state and local income tax refunds), 1099-INT, 1099-LTC, 1099-MISC (excluding fishing boat proceeds), 1099-OID, 1099-PATR, and 1099-S must include the direct access telephone number of an individual who can answer questions about the statement. **You may include**

**the telephone number conspicuously anywhere on the recipient statement.** Although not required, payers reporting on Forms 1099-C, 1099-MSA, 1099-R, 5498, and 5498-MSA are encouraged to furnish telephone numbers.

4. All applicable money amounts and information, including box numbers, required to be reported to the form recipient must be titled on the form recipient statement in substantially the same manner as those on the official IRS form. The box caption **“Federal income tax withheld”** must be in boldface type on the form recipient statement.

**Exception.** If you are reporting a payment as “Other income” in box 3 of Form 1099-MISC, you may substitute appropriate language for the box title. For example, for payments of accrued wages and leave to a beneficiary of a deceased employee, you might change the title of box 3 to “Beneficiary payments” or something similar.

**Note:** *You cannot make this change on Copy A.*

5. You must provide appropriate instructions to the form recipient, similar to those on the official IRS form, to aid in the proper reporting on the form recipient’s income tax return. For payments reported on Form 1099-B, the requirement to include instructions substantially similar to those on the official IRS form may be satisfied by providing form recipients with a single set of instructions for all Forms 1099-B statements required to be furnished in a calendar year.

**Note:** *If Federal income tax is withheld and shown on Form 1099-R or W-2G, Copy B and Copy C must be furnished to the recipient. If Federal income tax is not withheld, only Copy C of Form 1099-R or W-2G must be furnished. However, for Form 1099-R, instructions similar to those on the back of the official Copy B and Copy C of Form 1099-R must be furnished to the recipient. For convenience, you may choose to provide both Copies B and C of Form 1099-R to the recipient.*

6. If you use carbon to produce recipient statements, the quality of the carbon must meet the following standards:

- All copies must be **clearly legible,**
- All copies must be able to be photocopied, and
- Fading must not diminish legibility and the ability to photocopy.

In general, black chemical transfer inks are preferred, but other colors are permitted if the above standards are met. Hot wax and cold carbon spots are not permitted on any of the internal form plies. The back of a mailer top envelope ply may contain these spots.

7. A mutual fund family may state separately on one document (e.g., one piece of paper) the Form 1099-B information for a recipient from each fund as required by Form 1099-B. However, the gross proceeds, etc., from each transaction within a fund must be stated separately. The form must contain an instruction to the recipient that each fund’s (not the mutual fund family’s) name and amount must be reported on the recipient’s tax return. The form cannot contain an aggregate total of all funds.
8. You may use a Uniform Settlement Statement (under the Real Estate Settlement Procedures Act of 1974 (RESPA)) for Form 1099-S. The Uniform Settlement Statement is acceptable as the written statement to the transferor if you include the legend for Form 1099-S below and indicate which information on the Uniform Settlement Statement is being reported to the IRS on Form 1099-S.
9. For reporting state income tax withholding and state payments, you may add an additional box(es) to recipient copies as appropriate.

**Note:** *You cannot make this change on Copy A.*

10. On Copy C of Form 1099-LTC, you may reverse the location of the policyholder’s and the insured’s name, street address, city, state, and ZIP code for easier mailing.
11. Logos are permitted on substitute recipient statements for the forms listed in this section (**Section 1.5.4**).

### 1.5.5 Required Legends for Forms 1098

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Form 1098 recipient statements must contain the following legends:

- **Form 1098**
    1. “The information in boxes 1, 2, and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.”
    2. “**Caution:** *The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.*”
  - **Form 1098-E** – “This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for student loan interest.”
  - **Form 1098-T** – “This is important tax information and is being furnished to the Internal Revenue Service.”
- 

### 1.5.6 Required Legends for Forms 1099 and W-2G

Forms 1099 and W-2G recipient statements must contain the following legends:

- **Forms 1099-A and 1099-C** – “This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.”
  - **Forms 1099-B, 1099-DIV, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-PATR, and W-2G (Copy C)** – “This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.”
  - **Form W-2G (Copy B)** – “This information is being furnished to the Internal Revenue Service. Report this income on your Federal tax return. If this form shows Federal income tax withheld in box 2, attach this copy to your return.”
  - **Form 1099-LTC**
    - Copy B** – “This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.”
    - Copy C** – “Copy C is provided to you for information only. Only the policyholder is required to report this information on a tax return.”
  - **Form 1099-MSA** – “This information is being furnished to the Internal Revenue Service.”
  - **Form 1099-R**
    - Copy B** – “Report this income on your Federal tax return. If this form shows Federal income tax withheld in box 4, attach this copy to your return. This information is being furnished to the Internal Revenue Service.”
    - Copy C** – “This information is being furnished to the Internal Revenue Service.”
  - **Form 1099-S** – “This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.”
-

**1.5.7 Required  
Legends for Forms  
5498**

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**Form 5498** recipient statements must contain the following legends:

- **Form 5498** – “This information is being furnished to the Internal Revenue Service.”

**Note:** *If you do not furnish another statement to the participant because no contributions were made for the year, the statement of the fair market value of the account must contain this legend and a designation of which information is being furnished to the Internal Revenue Service.*

- **Form 5498-MSA** – “The information in boxes 1 through 6 is being furnished to the Internal Revenue Service.”
- 

**1.5.8 Composite  
Substitute Statements  
to Recipients for  
Forms Specified in  
Section 1.5.4**

A composite form recipient statement for the forms specified in **Section 1.5.4** is permitted when one filer is reporting more than one type of payment during a calendar year to the same form recipient. A composite statement is not allowed for a combination of forms listed in **Section 1.5.4** and forms listed in **Section 1.5.2**.

**Exceptions.** Form 1099-B information may be reported on a composite form with the forms specified in **Section 1.5.2** as described in **Section 1.5.3**. In addition, royalties reported on Form 1099-MISC or 1099-S may be reported on a composite form only with the forms specified in **Section 1.5.2**.

Although the composite form recipient statement may be on one sheet, the format of the composite form recipient statement must satisfy the requirements listed in **Section 1.5.3** as well as the requirements in **Section 1.5.4**. A composite statement of Forms 1098 and 1099-INT (for interest reportable under section 6049) is **not** allowed.

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Part 2

Specifications for Substitute Forms To Be Filed With the IRS (Except Form W-2G)

Section 2.1 – Specifications

2.1.1 Introduction

The following specifications prescribe the format requirements for Forms 1096 and Copy A of Forms 1098, 1099, and 5498. (See Part 3 for Form W-2G specifications.)

2.1.2 Form Identifying Numbers

The form identifying number (e.g., 9191 for Form 1099-DIV) must be printed in nonreflective black carbon-based ink in print positions 15 through 19 using an OCR A font. The checkboxes to the right of the form identifying number must be 10-point boxes; the void checkbox is in print position 25 and the corrected checkbox is in position 33. These measurements are from the left edge of the paper, not including the perforated strip.

2.1.3 Specifications for Form 1096 and Copy A of Forms 1098, 1099, and 5498

The substitute form must be an exact replica of the official IRS form with respect to layout and content.

Note: To determine the correct form measurements, see Exhibits A through T at the end of this publication.

- Hot wax and cold carbon spots are not permitted on any of the internal form plies. These spots are permitted on the back of a mailer top envelope ply.
• Use of chemical transfer paper for Copy A is acceptable.
• The Government Printing Office (GPO) symbol must be deleted.

2.1.4 Color and Paper Quality

Color and paper quality for Copy A (cut sheets and continuous pinfeed forms) as specified by JCP Code 0-25, dated November 29, 1978, must be white 100% bleached chemical wood, optical character recognition (OCR) bond produced in accordance with the following specifications.

Note: Reclaimed fiber in any percentage is permitted provided the requirements of this standard are met.

- Acidity: Ph value, average, not less than 4.5
• Basis Weight 17 x 22 500 cut sheets 18-20
Metric equivalent—g/m^2 75
A tolerance of +/- 5 pct. is allowed.
• Stiffness: Average, each direction, not less than—milligrams 50
• Tearing strength: Average, each direction, not less than—grams 40
• Opacity: Average, not less than—percent 82
• Thickness: Average—inch 0.0038
Metric equivalent—mm 0.097
A tolerance of +0.0005 inch (0.0127 mm) is allowed. Paper cannot vary more than 0.0004 inch (0.0102 mm) from one edge to the other.
• Porosity: Average, not less than—seconds 10
• Finish (smoothness): Average, each side—seconds 20-55
For information only, the Sheffield equivalent—units 170-100
• Dirt: Average, each side, not to exceed—parts per million 8

### 2.1.5 Chemical Transfer Paper

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**Chemical transfer paper** is permitted for Copy A only if the following standards are met:

- Only chemically backed paper is acceptable for Copy A.
- Carbon-coated forms are not permitted. Front and back chemically treated paper cannot be processed properly by machine.
- Chemically transferred images must be black.

All copies must be **clearly legible**. Hot wax and cold carbon spots **are not** permitted for Copy A. **Inter-leaved carbon** should be black and must be of good quality to assure legibility on all copies and to avoid smudging. Fading must be minimized to assure legibility.

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### 2.1.6 Printing

All printing on Copy A of Forms 1098, 1099, 5498, and the Form 1096 printing above the statement "Please return this entire page to the Internal Revenue Service. Photocopies are NOT acceptable." must be in Flint J-6983 red OCR dropout ink or an exact match. However, the four-digit form identifying number must be in nonreflective carbon-based black ink in OCR A font.

The shaded areas of any substitute form should generally correspond to the format of the official form.

The printing for the Form 1096 statement and the following text may be in any shade or tone of black ink. Black ink should only appear on the lower part of the reverse side of Form 1096 where it will not bleed through and interfere with scanning.

**Note:** *The instructions on the back of Form 1096, which include filing addresses, must be printed.*

Separation between fields must be 0.1 inch.

Except for Form 1099-R, the numbered captions are printed as solid with no shaded background.

Other printing requirements are discussed below.

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### 2.1.7 OCR Specifications

The contractor must initiate or have a quality control program to assure OCR ink density. In addition, the contractor must have access to either a MacBeth PCM-II, Kidder 082A, or similar tester to regularly evaluate the ink throughout a shift.

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### 2.1.8 Paper and Ink

Readings will be made when printed on approved 20 lb. white OCR bond with a reflectance of not less than 80%. Black ink must not have a reflectance greater than 15%. These readings are based on requirements of the "Scan-Optics Series 9000" Optical Scanner using Flint J-6983 red OCR dropout ink or an exact match.

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### 2.1.9 Testers

The following testers and ranges are acceptable:

- MacBeth PCM-II. The tested Print Contrast Signal (PCS) values when using the MacBeth PCM-II tester on the "C" scale must range from .01 minimum to .06 maximum.
- Kidder 082A. The tested PCS values when using the Kidder 082A tester on the Infra Red (IR) scale must range from .12 minimum to .21 maximum. White calibration disc must be 100%; sensitivity must be set at one (1).
- Alternative testers. Alternative testers must be approved by the Government so that tested PCS values can be established. You may obtain approval by writing to the following address:

Commissioner of Internal Revenue  
Attn: OP:FS:M:T:M Room 1225  
Tax Products  
1111 Constitution Avenue, NW  
Washington, DC 20224

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### 2.1.10 Typography

Type must be substantially identical in size and shape to the official form. All rules are either ½-point or ¾-point. Rules must be identical to that on the official IRS form.

**Note:** *The form identifying number must be nonreflective carbon-based black ink in OCR A font.*

---

### 2.1.11 Dimensions

Three Forms 1098, 1099, or 5498 (Copy A) are contained on a single page, 8 inches wide (without any snap-stubs and/or pinfeed holes) by 11 inches deep.

**Exception.** Form 1099-R contains two documents per page.

There is a .33 inch top margin from the top of the corrected box, and a .25 inch right margin. There is a 1/32" (0.0313") tolerance for the right margin. If the right and top margins are properly aligned, the left margin for all forms will be correct. All margins must be free of print. See Exhibits A through T in this publication for the correct form measurements.

These measurements are constant for all Forms 1098, 1099, and 5498. These measurements are shown only once in this publication, on Form 1098 (Exhibit B). Exceptions to these measurements are shown on the rest of the exhibits.

The depth of the individual trim size of each form on a page must be 3⅔ inches, the same depth as the official form.

**Exception.** The depth of Form 1099-R is 5½ inches.

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### 2.1.12 Other Specifications

The words "For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the **1999 Instructions for Forms 1099, 1098, 5498, and W-2G**" *must* be printed on Copy A; "**For more information and the Privacy Act and Paperwork Reduction Act Notice, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G**" *must* be printed on Form 1096.

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### 2.1.13 Perforation

Copy A (three per page; two per page for Form 1099-R) of privately printed continuous substitute forms must be perforated at each 11" page depth. No perforations are allowed between the 3⅔" forms (5½" for Form 1099-R) on a single copy page of Copy A.

The words "Do NOT Cut or Separate Forms on This Page" must be printed in red dropout ink (as required by form specifications) between the three forms (two for Form 1099-R).

**Note:** *Perforations are required between all the other individual copies (Copies B and C, and Copies 1 and 2 for Form 1099-R and Form 1099-MISC, and Copy D for Form 1099-R) included in the set.*

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### 2.1.14 What To Include

You must include the OMB Number on Copies A and Form 1096 in the same location as on the official form.

Printer's symbol — The GPO symbol must not be printed on substitute Copy A. Instead, the employer identification number (EIN) of the forms printer must be entered in the bottom margin on the face of each individual form of Copy A, or the bottom margin on the reverse side of each Form 1096.

A postal indicia may be used if it meets the following criteria:

- It is printed in the OCR ink color prescribed for the form, and
- No part of the indicia is within one print position of the scannable area.

The Catalog Number (Cat. No.) shown on the 1999 forms is used for IRS distribution purposes and need not be printed on any substitute forms.

The form **must not** contain the statement "IRS approved" or any similar statement.

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## Part 3

### Specifications for Substitute Form W-2G To Be Filed With the IRS

#### Section 3.1 – General

##### 3.1.1 Purpose

The following specifications give the format requirements for Form W-2G (**Copy A only**).

A filer may use a substitute Form W-2G to file with the IRS (referred to as “substitute Copy A”). The substitute form must be an exact replica of the official form with respect to layout and content.

#### Section 3.2 – Specifications for Copy A of Form W-2G

##### 3.2.1 Substitute Form W-2G (Copy A)

You must follow these specifications when printing substitute Copy A of Form W-2G.

Item	Substitute Form W-2G (Copy A)
Paper Color and Quality	Paper for Copy A must be white chemical wood bond, or equivalent, 20 pound (basis 17 × 22-500), plus or minus 5 percent. The paper must consist substantially of bleached chemical wood pulp. It must be free from unbleached or ground wood pulp or post-consumer recycled paper. It also must be suitably sized to accept ink without feathering.
Ink Color and Quality	All printing must be in a high quality nongloss black ink.
Typography	The type must be substantially identical in size and shape to the official form. All rules on the document are either ½ point (.007 inch), 1 point (0.015 inch), or 3 point (0.045). Vertical rules must be parallel to the left edge of the document, horizontal rules to the top edge.
Dimensions	The official form is 8 inches wide × 3 ⅝ inches deep, exclusive of a ⅝ inch snap stub on the left side of the form. Any substitute Copy A must be the same dimensions. The snap feature is not required on substitutes. All margins must be free of print. The top and right margins must be ¼ inch plus or minus .0313. If the top and right margins are properly aligned, the left margin for all forms will be correct.  If the substitute forms are in continuous or strip form, they must be burst and stripped to conform to the size specified for a single form.
Hot Wax and Cold Carbon Spots	Hot wax and cold carbon spots are not permitted on any of the internal form plies. These spots are permitted on the back of a mailer top envelope ply. Interleaved carbons, if used, should be black and of good quality to avoid smudging.
Printer's Symbol	The Government Printing Office (GPO) symbol must not be printed on substitute Forms W-2G. Instead, the employer identification number (EIN) of the forms printer must be printed in the bottom margin on the face of each individual Copy A on a sheet. The form must not contain the statement “IRS approved” or any similar statement.
Catalog Number	The Catalog Number (Cat. No.) shown on Form W-2G is used for IRS distribution purposes and need not be printed on any substitute forms.

Part 4

Additional Instructions for Substitute Forms 1098, 1099, 5498, and W-2G

Section 4.1 - Copies B, C, D, 1, and 2

4.1.1  
Miscellaneous  
Instructions

The following table gives additional instructions concerning copies B, C, D, 1, and 2 of the forms.

Item	Instructions
Copies	<p>Copies B, C, and in some cases, D, 1, and 2 are included in the official assembly for the convenience of the filer. You are not required to include all these copies with the privately printed substitute forms. Copies B and, in some cases, C will satisfy the requirement of the law and regulations to provide the statement of information to the form recipient.</p> <p><b>Note:</b> <i>If an amount of Federal income tax withheld is shown on Form 1099-R or W-2G, Copy B (to be attached to the tax return) and Copy C must be furnished to the recipient. Copy D (Forms 1099-R and W-2G) may be used for filer records. Only Copy A should be filed with the IRS.</i></p>
Arrangement of Assembly	<p>The parts of the assembly must be arranged, from top to bottom, as follows:</p> <ul style="list-style-type: none"> <li>• All forms—Copy A “For Internal Revenue Service Center.”</li> <li>• Form 1098—Copy B “For Payer”; Copy C “For Recipient.”</li> <li>• Form 1098-E—Copy B “For Borrower”; Copy C “For Recipient.”</li> <li>• Form 1098-T—Copy B “For Student”; Copy C “For Filer.”</li> <li>• Form 1099-A—Copy B “For Borrower”; Copy C “For Lender.”</li> <li>• Forms 1099-B, 1099-DIV, 1099-G, 1099-INT, 1099-MSA, 1099-OID, and 1099-PATR—Copy B “For Recipient”; Copy C “For Payer.”</li> <li>• From Form 1099-C—Copy B “For Debtor”; Copy C “For Creditor.”</li> <li>• Form 1099-LTC—Copy B “For Policyholder”; Copy C “For Insured”; and Copy D “For Payer.”</li> <li>• Form 1099-MISC—Copy 1 “For State Tax Department”; Copy B “For Recipient”; Copy 2 “To be filed with recipient’s state income tax return, when required”; and Copy C “For Payer.”</li> <li>• Form 1099-R—Copy 1 “For State, City, or Local Tax Department”; Copy B “Report this income on your Federal tax return. If this form shows Federal income tax withheld in box 4, attach this copy to your return”; Copy C “For Recipient’s Records”; Copy 2 “File this copy with your state, city, or local income tax return, when required”; Copy D “For Payer.”</li> <li>• Form 1099-S—Copy B “For Transferor”; Copy C “For Filer.”</li> <li>• Form 5498—Copy B “For Participant”; Copy C “For Trustee or Issuer.”</li> <li>• Form 5498-MSA—Copy B “For Participant”; Copy C “For Trustee.”</li> <li>• Form W-2G—Copy 1 “For State Tax Department”; Copy B “Report this income on your Federal tax return. If this form shows Federal income tax withheld in box 2, attach this copy to your return”; Copy C “For Winner’s Records”; Copy 2 “Attach this copy to your state income tax return, if required.”; Copy D “For Payer.”</li> </ul>
Perforations	<p>Perforations are required between forms on all copies except Copy A to make separating the forms easier. Copy A of Form W-2G may be perforated.</p>

## Section 4.2 - OMB Requirements

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### 4.2.1 OMB Requirements

Official Office of Management and Budget (OMB) numbers are shown on official IRS printed forms, and are also shown on the forms in the exhibits.

Public Law 96-511 requires that:

- The OMB approve IRS tax forms.
  - Each form show the OMB approval number in the upper right corner. (The official OMB numbers may be found on the official IRS printed forms and are also shown on the forms in the exhibits in Part 5.)
  - The form (or its instructions) state:
    1. Why the IRS is collecting the information,
    2. How it will be used, and
    3. Whether it must be given to the IRS.(Any substitute IRS forms or instructions must also contain this information.)
- 

### 4.2.2 Substitute Form Requirements

The OMB requirements for substitute IRS forms are:

- Any substitute form or substitute statement to recipient must show the OMB number as it appears on the official IRS form.
  - For Copy A, the OMB number must appear exactly as shown on the official IRS form.
  - For any copy other than Copy A, the OMB number must use one of the following formats.
    1. OMB No. XXXX-XXXX (preferred) or
    2. OMB # XXXX-XXXX
  - All substitute forms (**Copy A only**) must state “For Privacy Act and Paperwork Reduction Act Notice, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.”
-

## Section 4.3 – Reproducible Copies

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### 4.3.1 Introduction

The IRS does not take orders for reproducible and information copies of Federal tax materials. However, other ways to get Federal tax material include:

- The Internet.
- CD-ROM.
- GPO Superintendent of Documents Bookstores.

Forms 1096, 1098, 1099 series, and 5498 series are provided electronically on the IRS home page and on the Federal Tax Forms CD-ROM, but cannot be used for filing with the IRS when printed from a conventional printer. These forms contain drop-out ink requirements as described in Part 2 of this publication.

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### 4.3.2 Internet

You can download tax materials from the Internet.

You Can Access the Internet by...	Using...
File Transfer Protocol (FTP)	ftp.irs.gov
World Wide Web	www.irs.gov

### 4.3.3 IRS Federal Tax Forms CD-ROM

The IRS also offers an alternative to downloading electronic files and provides current and prior-year access to tax forms and instructions through its Federal Tax Forms CD-ROM. The CD will be available for the upcoming filing season. Order **Pub. 1796**, Federal Tax Products on CD-ROM, by either:

- Calling the National Technical Information Service (NTIS) at **1-877-233-6767** toll free,
  - Using the IRS's Internet Web Site at **www.irs.gov/cdorders**, or
  - Faxing at **703-605-6900**.
- 

### 4.3.4 GPO Supt. of Documents Bookstores

The Government Printing Office (GPO) Superintendent of Documents Bookstores also sell individual copies of tax forms, instructions, and publications. Call **202-512-1800** to find the bookstore nearest you.

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## Section 4.4 – Effect on Other Revenue Procedures

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### 4.4.1 Other Revenue Procedures

Revenue Procedure 98–37, 1998–26 I.R.B. 6, which provides rules and specifications for private printing of 1998 substitute forms and statements to recipients, is superseded.

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## Part 5

### Exhibits

#### Section 5.1 – Exhibits of Forms in the Revenue Procedure

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##### 5.1.1 Purpose

Exhibits A through T illustrate some of the specifications that were discussed earlier in this revenue procedure. The dimensions apply to the actual size forms, but the exhibits have been reduced in size.

Generally, the illustrated dimensions apply to all like forms. For example, Exhibit B shows 11.00” from the top edge to the bottom edge of Form 1098 and .85” between the bottom rule of the top form and the top rule of the second form on the page. These dimensions apply to all forms that are printed three to a page.

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##### 5.1.2 Guidelines

Keep in mind the following guidelines when printing substitute forms.

- Closely follow the specifications to avoid delays in processing the forms.
  - Always use the specifications as outlined in this revenue procedure and illustrated in the exhibits.
  - Do not add the text line “Do NOT Cut or Separate Forms on This Page” to the bottom form. This will cause inconsistency with the specifications.
-

# Exhibit A

DO NOT WRITE IN THESE SPACES

**1096**

Annual Summary and Transmittal of  
**U.S. Information Returns**

**99**

99

**FILED'S name**

Street address (including room or suite number)

City, state, and ZIP code

If you are not using a preprinted label, enter in Line 1 or 2 below the identification number you used as the filer on the information returns being transmitted. Do not fill in both boxes 1 and 2.

1 Employer identification number 2 Social Security number

3 Total number of forms being transmitted 4 Total amount of tax withheld 5 Total amount of tax on information

6-9 (For Official Use Only)

Enter an "X" in only one box below to indicate the type of form being filed. If this is your final return, enter "A" in box 10.

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD	AE	AF	AG	AH	AI	AJ	AK	AL	AM	AN	AO	AP	AQ	AR	AS	AT	AU	AV	AW	AX	AY	AZ
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----

**Please return this entire page to the Internal Revenue Service. Photocopies are NOT acceptable.**

**Instructions**

**Purpose of form.** Use this form to transmit paper Forms 1099, 1098, 5496, and W-2G to the Internal Revenue Service. (See **Where To File** on the back of **DO NOT USE FORM 1096 TO TRANSMIT MAGNETIC MEDIA**. See Form 4804, Transmittal of Information Returns Reported Magnetically/Electronically.)

**Use of preprinted label.** If you received a preprinted label from the IRS with Package 1099, place the label in the name and address area of this form inside the brackets. Make any necessary changes to your name and address on the label (however, do not use the actual taxpayer identification number (TIN) shown on the label). Do not prepare your own label. Use only the IRS prepared label that came with your Package 1099.

If you are not using a preprinted label, enter the filer's name, address (including room, suite, or other and number), and TIN in the spaces provided on the form.

**Filer.** The name, address, and TIN of the filer on this form must be the same as those you enter in the upper left area of Form 1099, 1098, 5496, or W-2G. A filer includes a payer, a recipient of mortgage interest payments (including points), a student loan interest, an educational institution, a seller, a broker, exchange, a donor, a person reporting real estate transactions, a trustee or issuer of any investment or retirement arrangement or a medical savings account (MSA) (including a Medicare-Choice MSA), and a person who acquires an interest in certain property or who has reason to know that the property has been acquired.

For more information and the Privacy Act and Paperwork Reduction Act Notice, see the 1999 Instructions for Forms 1099, 1098, 5496, and W-2G.

**30** Transmittal to the IRS. Send the forms in a flat mailing (not forced). Group the forms by form number and transmit each group with a separate Form 1096. For example, if you must file both Form 1098 and 1099-A, complete one Form 1096 to transmit your Forms 1098 and another Form 1096 to transmit your Forms 1099-A. You need not submit original and copy-tied returns separately. Do not send a Form 1099 5496, etc. (including summary (skeletal) information with Form 1096). Summary information for the group of forms being sent is entered only in boxes 3, 4, and 5 of Form 1096.

**Box 1 or 2.** Complete only if you are not using a preprinted IRS label. Individuals (not in a home or business) must enter their social security number in box 1; sole proprietors and all others must enter the employer identification number in box 2. However, sole proprietors who do not have an employer identification number must enter their social security number in box 2.

**Box 3.** Enter the number of forms you are transmitting with this Form 1096. Do not include blank or copies for all of the Form 1096 in your lot. Enter the number of correctly completed forms, not the number of pages, being transmitted. For example, if you send one page of three-four-page Forms 5496 with a Form 1096 and you have correctly completed two Forms 5496 on that page, enter "2" in box 3 of Form 1096.

**Box 4.** Enter the total federal income tax withheld shown on the forms being transmitted with this Form 1096.

Signature

Title

Date

For No. 1096-99

Form 1096 99

# Exhibit B

8181     VOID     CORRECTED

RECIPIENT'S LENDER'S name, address, and telephone number  3.33"			OMB No. 1545-0047  <b>99</b>  Form 1098	<b>Mortgage Interest Statement</b>
RECIPIENT'S Federal identification no. 1.00"	PAYOR'S social security number 3.40"	1 Mortgage interest received from payment borrower \$ 3.00"	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Provisions and Paperwork Reduction Act Notice and instructions for completing this Form, see the 1999 Instructions for Forms 1098, 1099, 5498, and W-2G.	
PAYOR'S BORROWER'S name 3.40"		2 Points paid on purchase of principal residence \$		
Street address (including apt. no.) 3.40"		3 Return of unused interest \$		
City, state, and ZIP code 3.40"		4 2.80"		
Account number (optional) 3.40"				

Form 1098    OMB No. 1545-0047    Department of the Treasury - Internal Revenue Service

**Do NOT Cut or Separate Forms on This Page — Do NOT Cut or Separate Forms on This Page**

8181     VOID     CORRECTED

RECIPIENT'S LENDER'S name, address, and telephone number			OMB No. 1545-0047  <b>99</b>  Form 1098	<b>Mortgage Interest Statement</b>
RECIPIENT'S Federal identification no. 1.00"	PAYOR'S social security number 3.40"	1 Mortgage interest received from payment borrower \$	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Provisions and Paperwork Reduction Act Notice and instructions for completing this Form, see the 1999 Instructions for Forms 1098, 1099, 5498, and W-2G.	
PAYOR'S BORROWER'S name 3.40"		2 Points paid on purchase of principal residence \$		
Street address (including apt. no.) 3.40"		3 Return of unused interest \$		
City, state, and ZIP code 3.40"		4		
Account number (optional) 3.40"				

Form 1098    OMB No. 1545-0047    Department of the Treasury - Internal Revenue Service

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8181     VOID     CORRECTED

RECIPIENT'S LENDER'S name, address, and telephone number			OMB No. 1545-0047  <b>99</b>  Form 1098	<b>Mortgage Interest Statement</b>
RECIPIENT'S Federal identification no. 1.00"	PAYOR'S social security number 3.40"	1 Mortgage interest received from payment borrower \$	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Provisions and Paperwork Reduction Act Notice and instructions for completing this Form, see the 1999 Instructions for Forms 1098, 1099, 5498, and W-2G.	
PAYOR'S BORROWER'S name 3.40"		2 Points paid on purchase of principal residence \$		
Street address (including apt. no.) 3.40"		3 Return of unused interest \$		
City, state, and ZIP code 3.40"		4		
Account number (optional) 3.40"				

Form 1098    OMB No. 1545-0047    Department of the Treasury - Internal Revenue Service





# Exhibit D

8383     VOID     CORRECTED

1. Filer's name, street address (or P.O. box), ZIP code, and telephone number		1	QRE No. 1584-99    Form 1098-T	<b>Tuition Payments Statement</b>
2. _____		2		
3. Filer's federal identification number	4. STUDENT'S social security number			
5. STUDENT'S name				
6. Street address (including apt. no.)				
7. City, state, and ZIP code				
8. Account number (optional)		9. Check for cash for non-graduate student <input type="checkbox"/>	10. Check for graduate student <input type="checkbox"/>	Copy A For Internal Revenue Service Center File with Form 1098 For Physis, Act and Payment Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G

Form 1098-T    QRE No. 1584-99    Department of the Treasury - Internal Revenue Service

**Do NOT Cut or Separate Forms on This Page — Do NOT Cut or Separate Forms on This Page**

8383     VOID     CORRECTED

1. Filer's name, street address (or P.O. box), ZIP code, and telephone number		1	QRE No. 1584-99    Form 1098-T	<b>Tuition Payments Statement</b>
2. _____		2		
3. Filer's federal identification number	4. STUDENT'S social security number			
5. STUDENT'S name				
6. Street address (including apt. no.)				
7. City, state, and ZIP code				
8. Account number (optional)		9. Check for cash for non-graduate student <input type="checkbox"/>	10. Check for graduate student <input type="checkbox"/>	Copy A For Internal Revenue Service Center File with Form 1098 For Physis, Act and Payment Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G

Form 1098-T    QRE No. 1584-99    Department of the Treasury - Internal Revenue Service

**Do NOT Cut or Separate Forms on This Page — Do NOT Cut or Separate Forms on This Page**

8383     VOID     CORRECTED

1. Filer's name, street address (or P.O. box), ZIP code, and telephone number		1	QRE No. 1584-99    Form 1098-T	<b>Tuition Payments Statement</b>
2. _____		2		
3. Filer's federal identification number	4. STUDENT'S social security number			
5. STUDENT'S name				
6. Street address (including apt. no.)				
7. City, state, and ZIP code				
8. Account number (optional)		9. Check for cash for non-graduate student <input type="checkbox"/>	10. Check for graduate student <input type="checkbox"/>	Copy A For Internal Revenue Service Center File with Form 1098 For Physis, Act and Payment Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G

Form 1098-T    QRE No. 1584-99    Department of the Treasury - Internal Revenue Service



# Exhibit F

7979     VOID     CORRECTED

Payer's name, street address, city, state, ZIP code, and telephone no.		1a. Date of sale	OMB No. 1545-0045	<b>99</b> Form 1099-B	<b>Proceeds From Broker and Barter Exchange Transactions</b>
		1b. CUSIP No.	2. Stock, bond, etc.		
Payer's federal certificate number _____	RECIPIENT's certificate number _____	3. Barter fee	4. Federal income tax withheld	Copy A For Internal Revenue Service Center	
RECIPIENT'S name _____		5. Description _____		File with Form 1096 for Stocks, All and Futures Contracts with the Internal Revenue Service See the 1999 Instructions for Forms 1099, 1096, 5498, and W-2G	
Street address (no. and apt. no.) _____		Regulated Futures Contracts			
City, state, and ZIP code _____		6. Report of sale received in 1999	7. Unrecovered portion of loss in open contracts in 1999	Copy A For Internal Revenue Service Center	
Account number (optional) _____		8. Unrecovered portion of loss in open contracts in 1999	9. Aggregate profit or loss		
Form 1099-B Do NOT Cut or Separate Forms on This Page		Cut No. 144710		Department of the Treasury - Internal Revenue Service	

7979     VOID     CORRECTED

Payer's name, street address, city, state, ZIP code, and telephone no.		1a. Date of sale	OMB No. 1545-0045	<b>99</b> Form 1099-B	<b>Proceeds From Broker and Barter Exchange Transactions</b>
		1b. CUSIP No.	2. Stock, bond, etc.		
Payer's federal certificate number _____	RECIPIENT's certificate number _____	3. Barter fee	4. Federal income tax withheld	Copy A For Internal Revenue Service Center	
RECIPIENT'S name _____		5. Description _____		File with Form 1096 for Stocks, All and Futures Contracts with the Internal Revenue Service See the 1999 Instructions for Forms 1099, 1096, 5498, and W-2G	
Street address (no. and apt. no.) _____		Regulated Futures Contracts			
City, state, and ZIP code _____		6. Report of sale received in 1999	7. Unrecovered portion of loss in open contracts in 1999	Copy A For Internal Revenue Service Center	
Account number (optional) _____		8. Unrecovered portion of loss in open contracts in 1999	9. Aggregate profit or loss		
Form 1099-B Do NOT Cut or Separate Forms on This Page		Cut No. 144710		Department of the Treasury - Internal Revenue Service	

7979     VOID     CORRECTED

Payer's name, street address, city, state, ZIP code, and telephone no.		1a. Date of sale	OMB No. 1545-0045	<b>99</b> Form 1099-B	<b>Proceeds From Broker and Barter Exchange Transactions</b>
		1b. CUSIP No.	2. Stock, bond, etc.		
Payer's federal certificate number _____	RECIPIENT's certificate number _____	3. Barter fee	4. Federal income tax withheld	Copy A For Internal Revenue Service Center	
RECIPIENT'S name _____		5. Description _____		File with Form 1096 for Stocks, All and Futures Contracts with the Internal Revenue Service See the 1999 Instructions for Forms 1099, 1096, 5498, and W-2G	
Street address (no. and apt. no.) _____		Regulated Futures Contracts			
City, state, and ZIP code _____		6. Report of sale received in 1999	7. Unrecovered portion of loss in open contracts in 1999	Copy A For Internal Revenue Service Center	
Account number (optional) _____		8. Unrecovered portion of loss in open contracts in 1999	9. Aggregate profit or loss		
Form 1099-B Do NOT Cut or Separate Forms on This Page		Cut No. 144710		Department of the Treasury - Internal Revenue Service	

# Exhibit G

8585     VOID     CORRECTED

CREDITOR'S name (street address, city, state, and ZIP code)		OMB No. 1545-0047		 Form 1099-C	<b>Cancellation of Debt</b>
CREDITOR'S name (taxpayer name)    DEBTOR'S identification number	1 Date acquired	2 Amount of debt canceled	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.		
DEBTOR'S name	3 Interest included in row 2	4			
Street address (not a post office)	5 Debt description				
City, state, and ZIP code	6 Check for bankruptcy	7 Fair market value of property			
Account number (optional)		\$			
Form 1099-C		OMB No. 1545-0047		Department of the Treasury - Internal Revenue Service	

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8585     VOID     CORRECTED

CREDITOR'S name (street address, city, state, and ZIP code)		OMB No. 1545-0047		 Form 1099-C	<b>Cancellation of Debt</b>
CREDITOR'S name (taxpayer name)    DEBTOR'S identification number	1 Date acquired	2 Amount of debt canceled	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.		
DEBTOR'S name	3 Interest included in row 2	4			
Street address (not a post office)	5 Debt description				
City, state, and ZIP code	6 Check for bankruptcy	7 Fair market value of property			
Account number (optional)		\$			
Form 1099-C		OMB No. 1545-0047		Department of the Treasury - Internal Revenue Service	

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CREDITOR'S name (street address, city, state, and ZIP code)		OMB No. 1545-0047		 Form 1099-C	<b>Cancellation of Debt</b>
CREDITOR'S name (taxpayer name)    DEBTOR'S identification number	1 Date acquired	2 Amount of debt canceled	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.		
DEBTOR'S name	3 Interest included in row 2	4			
Street address (not a post office)	5 Debt description				
City, state, and ZIP code	6 Check for bankruptcy	7 Fair market value of property			
Account number (optional)		\$			
Form 1099-C		OMB No. 1545-0047		Department of the Treasury - Internal Revenue Service	

# Exhibit H

9191     VOID     CORRECTED

PAYEE'S name, street address, city, state, ZIP code, and telephone no. _____ _____ _____		1 Money dividends \$ _____ 2a Total ordinary dividends \$ _____ 2b Dividends from 1998 year \$ _____	OMF No. 1445-010 <div style="text-align: center; font-size: 2em; font-weight: bold;">99</div> Form 1099-DIV	<b>Dividends and Distributions</b>  Copy A For Internal Revenue Service Center File with Form 1096. For Priority Mail and Registered Mail instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.
PAYEE'S Federal identification number    RECIPIENT'S identification number _____    _____	3a Dividends from 1998 year \$ _____ 3b Dividends from 1999 year \$ _____	2c Dividends from 1998 year \$ _____ 2d Dividends from 1999 year \$ _____	3 Non taxable distributions \$ _____ 4 Federal income tax withheld \$ _____ 5 Investment expenses \$ _____	
RECIPIENT'S name _____	6 Federal tax paid \$ _____ 7 Foreign tax paid \$ _____	6 Investment expenses \$ _____ 7 Foreign tax paid \$ _____	8 Normal acquisition cost \$ _____	
Street address (including apt. no.) _____ City, state, and ZIP code _____	8 Capital gain distribution \$ _____	9 Normal acquisition cost \$ _____	9 Normal acquisition cost \$ _____	
Account number (optional) _____	9 Capital gain distribution \$ _____	9 Normal acquisition cost \$ _____	9 Normal acquisition cost \$ _____	

Form 1099-DIV    OMF No. 1445-010    Department of the Treasury - Internal Revenue Service

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9191     VOID     CORRECTED

PAYEE'S name, street address, city, state, ZIP code, and telephone no. _____ _____ _____		1 Money dividends \$ _____ 2a Total ordinary dividends \$ _____ 2b Dividends from 1998 year \$ _____	OMF No. 1445-010 <div style="text-align: center; font-size: 2em; font-weight: bold;">99</div> Form 1099-DIV	<b>Dividends and Distributions</b>  Copy A For Internal Revenue Service Center File with Form 1096. For Priority Mail and Registered Mail instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.
PAYEE'S Federal identification number    RECIPIENT'S identification number _____    _____	3a Dividends from 1998 year \$ _____ 3b Dividends from 1999 year \$ _____	2c Dividends from 1998 year \$ _____ 2d Dividends from 1999 year \$ _____	3 Non taxable distributions \$ _____ 4 Federal income tax withheld \$ _____ 5 Investment expenses \$ _____	
RECIPIENT'S name _____	6 Federal tax paid \$ _____ 7 Foreign tax paid \$ _____	6 Investment expenses \$ _____ 7 Foreign tax paid \$ _____	8 Normal acquisition cost \$ _____	
Street address (including apt. no.) _____ City, state, and ZIP code _____	8 Capital gain distribution \$ _____	9 Normal acquisition cost \$ _____	9 Normal acquisition cost \$ _____	
Account number (optional) _____	9 Capital gain distribution \$ _____	9 Normal acquisition cost \$ _____	9 Normal acquisition cost \$ _____	

Form 1099-DIV    OMF No. 1445-010    Department of the Treasury - Internal Revenue Service

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PAYEE'S name, street address, city, state, ZIP code, and telephone no. _____ _____ _____		1 Money dividends \$ _____ 2a Total ordinary dividends \$ _____ 2b Dividends from 1998 year \$ _____	OMF No. 1445-010 <div style="text-align: center; font-size: 2em; font-weight: bold;">99</div> Form 1099-DIV	<b>Dividends and Distributions</b>  Copy A For Internal Revenue Service Center File with Form 1096. For Priority Mail and Registered Mail instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.
PAYEE'S Federal identification number    RECIPIENT'S identification number _____    _____	3a Dividends from 1998 year \$ _____ 3b Dividends from 1999 year \$ _____	2c Dividends from 1998 year \$ _____ 2d Dividends from 1999 year \$ _____	3 Non taxable distributions \$ _____ 4 Federal income tax withheld \$ _____ 5 Investment expenses \$ _____	
RECIPIENT'S name _____	6 Federal tax paid \$ _____ 7 Foreign tax paid \$ _____	6 Investment expenses \$ _____ 7 Foreign tax paid \$ _____	8 Normal acquisition cost \$ _____	
Street address (including apt. no.) _____ City, state, and ZIP code _____	8 Capital gain distribution \$ _____	9 Normal acquisition cost \$ _____	9 Normal acquisition cost \$ _____	
Account number (optional) _____	9 Capital gain distribution \$ _____	9 Normal acquisition cost \$ _____	9 Normal acquisition cost \$ _____	

Form 1099-DIV    OMF No. 1445-010    Department of the Treasury - Internal Revenue Service



# Exhibit J

9292  VOID  CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		Payer's EIN (optional)	UWID No. (1049-0112)
		<b>99</b> Interest Income	
		Form 1099-INT	
PAYER'S Federal identification number	RECIPIENT'S identification number	1 Total amount not included in box 3 \$	
RECIPIENT'S name		2 Early withdrawal penalty \$	3 Interest on U.S. Savings Bonds and Treasury Notes \$
Street address (not for mail)		4 Federal income tax withheld \$	5 Dividend equivalents \$
City, state, and ZIP code		6 Foreign tax paid \$	7 Foreign country or U.S. possession
Account number (optional)	and TIN (if any)	Form 1099-INT	

Department of the Treasury - Internal Revenue Service

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instructions for  
completing this  
form, see the  
1999 Instructions for  
Forms 1099, 1096,  
5498, and W-9.

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PAYER'S name, street address, city, state, ZIP code, and telephone no.		Payer's EIN (optional)	UWID No. (1049-0112)
		<b>99</b> Interest Income	
		Form 1099-INT	
PAYER'S Federal identification number	RECIPIENT'S identification number	1 Interest income not included in box 3 \$	
RECIPIENT'S name		2 Early withdrawal penalty \$	3 Interest on U.S. Savings Bonds and Treasury Notes \$
Street address (not for mail)		4 Federal income tax withheld \$	5 Dividend equivalents \$
City, state, and ZIP code		6 Foreign tax paid \$	7 Foreign country or U.S. possession
Account number (optional)	and TIN (if any)	Form 1099-INT	

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5498, and W-9.

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PAYER'S name, street address, city, state, ZIP code, and telephone no.		Payer's EIN (optional)	UWID No. (1049-0112)
		<b>99</b> Interest Income	
		Form 1099-INT	
PAYER'S Federal identification number	RECIPIENT'S identification number	1 Total amount not included in box 3 \$	
RECIPIENT'S name		2 Early withdrawal penalty \$	3 Interest on U.S. Savings Bonds and Treasury Notes \$
Street address (not for mail)		4 Federal income tax withheld \$	5 Dividend equivalents \$
City, state, and ZIP code		6 Foreign tax paid \$	7 Foreign country or U.S. possession
Account number (optional)	and TIN (if any)	Form 1099-INT	

Department of the Treasury - Internal Revenue Service

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form, see the  
1999 Instructions for  
Forms 1099, 1096,  
5498, and W-9.



# Exhibit K

9999     VOID     CORRECTED

PAYEE'S name (print address, city, state, ZIP code and telephone no.)  PAYEE'S Federal identification number    POLICYHOLDER'S identification number  POLICYHOLDER'S name  Street address (including apt. no.)  City, state and ZIP code  Account number (optional)	1 Gross term care benefits paid  2 Accelerated death benefits paid  3 Other info: <input type="checkbox"/> Full <input type="checkbox"/> Reduced <input type="checkbox"/> Term <input type="checkbox"/> Annuity	OMB No. 1545-0047  <b>99</b>  Form 1099-LTC  INSURED'S social security no.	Long-Term Care and Accelerated Death Benefits  Copy A  For Internal Revenue Service Center  File with Form 1099, For Policy Act and Payments Reduction Act Notice, and instructions for completing this form with the 1999 instructions for Forms 1099, 1098, 5498, and W-2G.
Form 1099-LTC		Department of the Treasury - Internal Revenue Service	

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PAYEE'S name (print address, city, state, ZIP code and telephone no.)  PAYEE'S Federal identification number    POLICYHOLDER'S identification number  POLICYHOLDER'S name  Street address (including apt. no.)  City, state and ZIP code  Account number (optional)	1 Gross term care benefits paid  2 Accelerated death benefits paid  3 Other info: <input type="checkbox"/> Full <input type="checkbox"/> Reduced <input type="checkbox"/> Term <input type="checkbox"/> Annuity	OMB No. 1545-0047  <b>99</b>  Form 1099-LTC  INSURED'S social security no.	Long-Term Care and Accelerated Death Benefits  Copy A  For Internal Revenue Service Center  File with Form 1099, For Policy Act and Payments Reduction Act Notice, and instructions for completing this form with the 1999 instructions for Forms 1099, 1098, 5498, and W-2G.
Form 1099-LTC		Department of the Treasury - Internal Revenue Service	

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PAYEE'S name (print address, city, state, ZIP code and telephone no.)  PAYEE'S Federal identification number    POLICYHOLDER'S identification number  POLICYHOLDER'S name  Street address (including apt. no.)  City, state and ZIP code  Account number (optional)	1 Gross term care benefits paid  2 Accelerated death benefits paid  3 Other info: <input type="checkbox"/> Full <input type="checkbox"/> Reduced <input type="checkbox"/> Term <input type="checkbox"/> Annuity	OMB No. 1545-0047  <b>99</b>  Form 1099-LTC  INSURED'S social security no.	Long-Term Care and Accelerated Death Benefits  Copy A  For Internal Revenue Service Center  File with Form 1099, For Policy Act and Payments Reduction Act Notice, and instructions for completing this form with the 1999 instructions for Forms 1099, 1098, 5498, and W-2G.
Form 1099-LTC		Department of the Treasury - Internal Revenue Service	







# Exhibit N

9696		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0047	
DONOR'S name, street address, city, state, ZIP code, and telephone no.		1 Original issue amount (by 1999)	 Form 1099-OID		
		\$			
		2 Other proceeds received	<b>Original Issue Discount</b>		
		\$			
DONOR'S federal identification number	RECIPIENT'S identification number	3 Early withdrawal penalty	4 Federal income tax withheld	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Foreign Act and Paperwork Reduction Act notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-9.	
		\$	\$		
RECIPIENT'S name		5 Description			
Street address (not a PO box)		6 Original issue amount and U.S. Treasury instructions			
		\$			
City, state, and ZIP code		7 Investment earnings			
		\$			
Account number (optional)		8 Total tax			
		\$			
Form 1099-OID		OMB No. 1545-0047		Department of the Treasury - Internal Revenue Service	

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9696		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0047	
DONOR'S name, street address, city, state, ZIP code, and telephone no.		1 Original issue amount (by 1999)	 Form 1099-OID		
		\$			
		2 Other proceeds received	<b>Original Issue Discount</b>		
		\$			
DONOR'S federal identification number	RECIPIENT'S identification number	3 Early withdrawal penalty	4 Federal income tax withheld	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Foreign Act and Paperwork Reduction Act notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-9.	
		\$	\$		
RECIPIENT'S name		5 Description			
Street address (not a PO box)		6 Original issue amount and U.S. Treasury instructions			
		\$			
City, state, and ZIP code		7 Investment earnings			
		\$			
Account number (optional)		8 Total tax			
		\$			
Form 1099-OID		OMB No. 1545-0047		Department of the Treasury - Internal Revenue Service	

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9696		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0047	
DONOR'S name, street address, city, state, ZIP code, and telephone no.		1 Original issue amount (by 1999)	 Form 1099-OID		
		\$			
		2 Other proceeds received	<b>Original Issue Discount</b>		
		\$			
DONOR'S federal identification number	RECIPIENT'S identification number	3 Early withdrawal penalty	4 Federal income tax withheld	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Foreign Act and Paperwork Reduction Act notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-9.	
		\$	\$		
RECIPIENT'S name		5 Description			
Street address (not a PO box)		6 Original issue amount and U.S. Treasury instructions			
		\$			
City, state, and ZIP code		7 Investment earnings			
		\$			
Account number (optional)		8 Total tax			
		\$			
Form 1099-OID		OMB No. 1545-0047		Department of the Treasury - Internal Revenue Service	

# Exhibit O

9797     VOID     CORRECTED

PAYER'S name (street address, city, state, ZIP code, and telephone no.) _____ _____ _____	1 Dividend distributions \$ _____ 2 Nonpercentage distributions \$ _____ 3 Return on capital accounts \$ _____	OMB No. 1545-0047 U.S. 99 Form 1099-PATR	<b>Taxable Distributions Received From Cooperatives</b>  <b>Copy A</b> For Internal Revenue Service Center File with Form 1099. For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.
PAYER'S Federal identification number    RECIPIENT'S identification number _____    _____	4 Total amount for withheld \$ _____ 5 Exemption of nonqualified interest distributions \$ _____	7 Investment credit \$ _____ 8 Ratable AMT adjustment \$ _____	
Street address (include apt. no.) _____ City, state, and ZIP code _____	6 Nonqualified interest \$ _____	9 Ratable AMT adjustment \$ _____	
Recipient's name _____ _____ _____	10 Other \$ _____	11 Other \$ _____	
Recipient's Federal identification number    RECIPIENT'S state identification number _____    _____	12 Other \$ _____	13 Other \$ _____	

Form 1099-PATR    Cat. No. 1099P    Department of the Treasury - Internal Revenue Service  
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9797     VOID     CORRECTED

PAYER'S name (street address, city, state, ZIP code, and telephone no.) _____ _____ _____	1 Dividend distributions \$ _____ 2 Nonpercentage distributions \$ _____ 3 Return on capital accounts \$ _____	OMB No. 1545-0047 U.S. 99 Form 1099-PATR	<b>Taxable Distributions Received From Cooperatives</b>  <b>Copy A</b> For Internal Revenue Service Center File with Form 1099. For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.
PAYER'S Federal identification number    RECIPIENT'S identification number _____    _____	4 Total amount for withheld \$ _____ 5 Exemption of nonqualified interest distributions \$ _____	7 Investment credit \$ _____ 8 Ratable AMT adjustment \$ _____	
Street address (include apt. no.) _____ City, state, and ZIP code _____	6 Nonqualified interest \$ _____	9 Ratable AMT adjustment \$ _____	
Recipient's name _____ _____ _____	10 Other \$ _____	11 Other \$ _____	
Recipient's Federal identification number    RECIPIENT'S state identification number _____    _____	12 Other \$ _____	13 Other \$ _____	

Form 1099-PATR    Cat. No. 1099P    Department of the Treasury - Internal Revenue Service  
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PAYER'S name (street address, city, state, ZIP code, and telephone no.) _____ _____ _____	1 Dividend distributions \$ _____ 2 Nonpercentage distributions \$ _____ 3 Return on capital accounts \$ _____	OMB No. 1545-0047 U.S. 99 Form 1099-PATR	<b>Taxable Distributions Received From Cooperatives</b>  <b>Copy A</b> For Internal Revenue Service Center File with Form 1099. For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.
PAYER'S Federal identification number    RECIPIENT'S identification number _____    _____	4 Total amount for withheld \$ _____ 5 Exemption of nonqualified interest distributions \$ _____	7 Investment credit \$ _____ 8 Ratable AMT adjustment \$ _____	
Street address (include apt. no.) _____ City, state, and ZIP code _____	6 Nonqualified interest \$ _____	9 Ratable AMT adjustment \$ _____	
Recipient's name _____ _____ _____	10 Other \$ _____	11 Other \$ _____	
Recipient's Federal identification number    RECIPIENT'S state identification number _____    _____	12 Other \$ _____	13 Other \$ _____	

Form 1099-PATR    Cat. No. 1099P    Department of the Treasury - Internal Revenue Service  
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# Exhibit P

9898       VOID       CORRECTED

PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution \$	2a Taxable amount \$	Add No. 1 to 2b Form 1099-R 99	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.  Copy A For Internal Revenue Service Center  File with Form 1096.  For Physical and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099-1099R, 5498, and W-2G.
		2b Taxable amount not determined <input type="checkbox"/> Total distribution <input checked="" type="checkbox"/>			
PA-PR's Federal identification number	RECIPIENT'S identification number	3 Capital gain included in box 2a \$	4 Federal income tax withheld \$	For Physical and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099-1099R, 5498, and W-2G.	
RECIPIENT'S name		5 Employee contributions or insurance premiums \$	6 Net unrealized appreciation in employer's securities \$		
Street address (including apt. no.)		7 Distribution from IRA, RRP, or UGMA \$	8 Other \$	For Physical and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099-1099R, 5498, and W-2G.	
City, state, and ZIP code		9a Your percentage of total distribution %	9b Tax-exempt distribution \$		
Account number (optional)		10 State tax withheld \$	11 State-Payer's state tax \$	12 State cash bonus \$	For Physical and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099-1099R, 5498, and W-2G.
		13 Local tax withheld \$	14 Name of locality \$	15 Local distribution \$	

Form 1099-R      Copy A      Department of the Treasury - Internal Revenue Service

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PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution \$	2a Taxable amount \$	Add No. 1 to 2b Form 1099-R 99	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.  Copy A For Internal Revenue Service Center  File with Form 1096.  For Physical and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099-1099R, 5498, and W-2G.
		2b Taxable amount not determined <input type="checkbox"/> Total distribution <input checked="" type="checkbox"/>			
PA-PR's Federal identification number	RECIPIENT'S identification number	3 Capital gain included in box 2a \$	4 Federal income tax withheld \$	For Physical and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099-1099R, 5498, and W-2G.	
RECIPIENT'S name		5 Employee contributions or insurance premiums \$	6 Net unrealized appreciation in employer's securities \$		
Street address (including apt. no.)		7 Distribution from IRA, RRP, or UGMA \$	8 Other \$	For Physical and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099-1099R, 5498, and W-2G.	
City, state, and ZIP code		9a Your percentage of total distribution %	9b Tax-exempt distribution \$		
Account number (optional)		10 State tax withheld \$	11 State-Payer's state tax \$	12 State cash bonus \$	For Physical and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099-1099R, 5498, and W-2G.
		13 Local tax withheld \$	14 Name of locality \$	15 Local distribution \$	

Form 1099-R      Copy A      Department of the Treasury - Internal Revenue Service

# Exhibit Q

7575     VOID     CORRECTED

SELLER'S name, street address, city, state, ZIP code, and telephone no.		1. Date of closing	 <b>99</b> Proceeds From Real Estate Transactions Form 1099-S
		2. Gross proceeds	
		\$	
SELLER'S Federal identification number	TRANSFEROR'S identification number	3. Address of seller (including apt. no., unit no., ZIP code)	
TRANSFEROR'S name		4. Check here if the transferor received a written report, prepared by a qualified person, indicating that the proceeds are not from the sale of a principal residence.	
Street address (including apt. no.)			
City, state, and ZIP code			
Account number (optional)		5. Buyer's state and zip code	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.
		\$	
		\$	

Form 1099-S    Cut No. 64292    Department of the Treasury - Internal Revenue Service

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7575     VOID     CORRECTED

SELLER'S name, street address, city, state, ZIP code, and telephone no.		1. Date of closing	 <b>99</b> Proceeds From Real Estate Transactions Form 1099-S
		2. Gross proceeds	
		\$	
SELLER'S Federal identification number	TRANSFEROR'S identification number	3. Address of seller (including apt. no., unit no., ZIP code)	
TRANSFEROR'S name		4. Check here if the transferor received a written report, prepared by a qualified person, indicating that the proceeds are not from the sale of a principal residence.	
Street address (including apt. no.)			
City, state, and ZIP code			
Account number (optional)		5. Buyer's state and zip code	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.
		\$	
		\$	

Form 1099-S    Cut No. 64292    Department of the Treasury - Internal Revenue Service

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7575     VOID     CORRECTED

SELLER'S name, street address, city, state, ZIP code, and telephone no.		1. Date of closing	 <b>99</b> Proceeds From Real Estate Transactions Form 1099-S
		2. Gross proceeds	
		\$	
SELLER'S Federal identification number	TRANSFEROR'S identification number	3. Address of seller (including apt. no., unit no., ZIP code)	
TRANSFEROR'S name		4. Check here if the transferor received a written report, prepared by a qualified person, indicating that the proceeds are not from the sale of a principal residence.	
Street address (including apt. no.)			
City, state, and ZIP code			
Account number (optional)		5. Buyer's state and zip code	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.
		\$	
		\$	

Form 1099-S    Cut No. 64292    Department of the Treasury - Internal Revenue Service

# Exhibit R


2828  VOID  CORRECTED

TRUSTEE'S OR ISSUER'S name, street address, city, state, and ZIP code	1 IRA contribution (other than rollovers in boxes 2, 3, and 7) \$	OMB No. 1545-0047	 <b>99</b> Form 5498	<b>IRA Contribution Information</b>  <b>Copy A</b> For Internal Revenue Service Center File with Form 1099. For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.
	2 Rollover contributions \$			
TRUSTEE'S OR ISSUER'S EIN or other identification number	3 Rollover conversion amount \$			
PARTICIPANT'S name	4 Fair market value of account \$	5 Line interest cost included in box 1 \$		
Street address (including apt. no.)	6 IRA SEP SIMPLE Rollover IRA Rollover IRA Rollover IRA \$			
City, state, and ZIP code	7 SEP contributions \$	8 SIMPLE contributions \$		
Account number (optional)	9 Rollover IRA contributions \$	10 Other IRA contributions \$		

Form 5498      OMB No. 1545-0047      Department of the Treasury, Internal Revenue Service

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2828  VOID  CORRECTED

TRUSTEE'S OR ISSUER'S name, street address, city, state, and ZIP code	1 IRA contribution (other than rollovers in boxes 2, 3, and 7) \$	OMB No. 1545-0047	 <b>99</b> Form 5498	<b>IRA Contribution Information</b>  <b>Copy A</b> For Internal Revenue Service Center File with Form 1099. For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.
	2 Rollover contributions \$			
TRUSTEE'S OR ISSUER'S EIN or other identification number	3 Rollover conversion amount \$			
PARTICIPANT'S name	4 Fair market value of account \$	5 Line interest cost included in box 1 \$		
Street address (including apt. no.)	6 IRA SEP SIMPLE Rollover IRA Rollover IRA Rollover IRA \$			
City, state, and ZIP code	7 SEP contributions \$	8 SIMPLE contributions \$		
Account number (optional)	9 Rollover IRA contributions \$	10 Other IRA contributions \$		

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TRUSTEE'S OR ISSUER'S name, street address, city, state, and ZIP code	1 IRA contribution (other than rollovers in boxes 2, 3, and 7) \$	OMB No. 1545-0047	 <b>99</b> Form 5498	<b>IRA Contribution Information</b>  <b>Copy A</b> For Internal Revenue Service Center File with Form 1099. For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.
	2 Rollover contributions \$			
TRUSTEE'S OR ISSUER'S EIN or other identification number	3 Rollover conversion amount \$			
PARTICIPANT'S name	4 Fair market value of account \$	5 Line interest cost included in box 1 \$		
Street address (including apt. no.)	6 IRA SEP SIMPLE Rollover IRA Rollover IRA Rollover IRA \$			
City, state, and ZIP code	7 SEP contributions \$	8 SIMPLE contributions \$		
Account number (optional)	9 Rollover IRA contributions \$	10 Other IRA contributions \$		

Form 5498      OMB No. 1545-0047      Department of the Treasury, Internal Revenue Service



# Exhibit S

2727     VOID     CORRECTED

TRUSTEE'S name, street address, city, state, and ZIP code		1 Total contributions made in 1998 (see instructions)	CIVIL No. 1945-1018    Form 5498-MSA	<b>MSA or Medicare+Choice MSA Information</b>  <b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act notice and instructions for completing this form, see the 1998 Instructions for Forms 1099, 1098, 5498, and W-20.
TRUSTEE'S Federal service or number    PARTICIPANT'S Social Security number		3 Total MSA contributions made in 2000 for 1999	5 Total contributions of MSA in 1999	
PARTICIPANT'S name		4 Total contributions	6 Medicare-Choice MSA <input type="checkbox"/>	
Street address (not required)		6 Medicare-Choice MSA <input type="checkbox"/>		
City, state, and ZIP code				
Account number (optional)				

Form 5498-MSA    OMB No. 1545-0045    Department of the Treasury - Internal Revenue Service

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2727     VOID     CORRECTED

TRUSTEE'S name, street address, city, state, and ZIP code		1 Total contributions made in 1998 (see instructions)	CIVIL No. 1945-1018    Form 5498-MSA	<b>MSA or Medicare+Choice MSA Information</b>  <b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act notice and instructions for completing this form, see the 1998 Instructions for Forms 1099, 1098, 5498, and W-20.
TRUSTEE'S Federal service or number    PARTICIPANT'S Social Security number		3 Total MSA contributions made in 2000 for 1999	5 Total contributions of MSA in 1999	
PARTICIPANT'S name		4 Total contributions	6 Medicare-Choice MSA <input type="checkbox"/>	
Street address (not required)		6 Medicare-Choice MSA <input type="checkbox"/>		
City, state, and ZIP code				
Account number (optional)				

Form 5498-MSA    OMB No. 1545-0045    Department of the Treasury - Internal Revenue Service

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2727     VOID     CORRECTED

TRUSTEE'S name, street address, city, state, and ZIP code		1 Total contributions made in 1998 (see instructions)	CIVIL No. 1945-1018    Form 5498-MSA	<b>MSA or Medicare+Choice MSA Information</b>  <b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act notice and instructions for completing this form, see the 1998 Instructions for Forms 1099, 1098, 5498, and W-20.
TRUSTEE'S Federal service or number    PARTICIPANT'S Social Security number		3 Total MSA contributions made in 2000 for 1999	5 Total contributions of MSA in 1999	
PARTICIPANT'S name		4 Total contributions	6 Medicare-Choice MSA <input type="checkbox"/>	
Street address (not required)		6 Medicare-Choice MSA <input type="checkbox"/>		
City, state, and ZIP code				
Account number (optional)				

Form 5498-MSA    OMB No. 1545-0045    Department of the Treasury - Internal Revenue Service

# Exhibit T

**3232**      **CORRECTED**

PAYER'S name	1 Gross winnings	2 Federal income tax withheld
Street address	3 Type of wager	4 Date won
City, state, and ZIP code	5 Transaction	6 Race
Federal identification number	Telephone number	7 Winning form and date won
WINNER'S name	8 Amount of net winnings	9 Casino
Street address (if different from payer's)	11 First ID	12 Second ID
City, state, and ZIP code	13 Casino identification number	14 State income tax withheld
<small>Use separate copies of this form to report winnings from different casinos, racetracks, or other gambling establishments. Do not report net winnings from a single establishment on this form. Do not report net winnings from a single establishment on this form if the net winnings are reported on another form.</small>		
Signature *		Date *

Form **W-2G**      Cat. No. 107584      Department of the Treasury - Internal Revenue Service

OMB No. 1545-0047

**99**

**Form W-2G**

**Certain Gambling Winnings**

For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.

File with Form 1096.

**Copy A**  
For Internal Revenue Service Center

**3232**      **CORRECTED**

PAYER'S name	1 Gross winnings	2 Federal income tax withheld
Street address	3 Type of wager	4 Date won
City, state, and ZIP code	5 Transaction	6 Race
Federal identification number	Telephone number	7 Winning form and date won
WINNER'S name	8 Amount of net winnings	9 Casino
Street address (if different from payer's)	11 First ID	12 Second ID
City, state, and ZIP code	13 Casino identification number	14 State income tax withheld
<small>Use separate copies of this form to report winnings from different casinos, racetracks, or other gambling establishments. Do not report net winnings from a single establishment on this form. Do not report net winnings from a single establishment on this form if the net winnings are reported on another form.</small>		
Signature *		Date *

Form **W-2G**      Cat. No. 107584      Department of the Treasury - Internal Revenue Service

OMB No. 1545-0047

**99**

**Form W-2G**

**Certain Gambling Winnings**

For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.

File with Form 1096.

**Copy A**  
For Internal Revenue Service Center

**3232**      **CORRECTED**

PAYER'S name	1 Gross winnings	2 Federal income tax withheld
Street address	3 Type of wager	4 Date won
City, state, and ZIP code	5 Transaction	6 Race
Federal identification number	Telephone number	7 Winning form and date won
WINNER'S name	8 Amount of net winnings	9 Casino
Street address (if different from payer's)	11 First ID	12 Second ID
City, state, and ZIP code	13 Casino identification number	14 State income tax withheld
<small>Use separate copies of this form to report winnings from different casinos, racetracks, or other gambling establishments. Do not report net winnings from a single establishment on this form. Do not report net winnings from a single establishment on this form if the net winnings are reported on another form.</small>		
Signature *		Date *

Form **W-2G**      Cat. No. 107584      Department of the Treasury - Internal Revenue Service

OMB No. 1545-0047

**99**

**Form W-2G**

**Certain Gambling Winnings**

For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.

File with Form 1096.

**Copy A**  
For Internal Revenue Service Center

## Part IV. Items of General Interest

### Notice of Proposed Rulemaking and Notice of Public Hearing

#### Qualified Lessee Construction Allowances for Short-Term Leases

REG-106010-98

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains proposed regulations concerning an exclusion from gross income for qualified lessee construction allowances provided by a lessor to a lessee for the purpose of constructing long-lived property to be used by the lessee pursuant to a short-term lease. The proposed regulations affect a lessor and a lessee paying and receiving, respectively, qualified lessee construction allowances that are depreciated by a lessor as nonresidential real property and excluded from the lessee's gross income. The proposed regulations provide guidance on the exclusion, the information required to be furnished by the lessor and the lessee, and the time and manner for providing that information to the IRS. This document also provides notice of a public hearing on these proposed regulations.

DATES: Written and electronic comments must be received by December 20, 1999. Outlines of topics to be discussed at the public hearing scheduled for January 19, 2000, must be received by December 29, 1999.

ADDRESSES: Send submissions to: CC:DOM:CORP:R (REG-106010-98), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (REG-106010-98), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC. Alternatively, taxpayers may submit comments electronically via the Internet by selecting the "Tax Regs" op-

tion on the IRS Home Page, or by submitting comments directly to the IRS Internet site at <http://www.irs.ustreas.gov/taxregs/regsglist.html>. The public hearing will be held in room 2615, Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC.

FOR FURTHER INFORMATION CONTACT: Concerning the regulations, Paul Handleman, (202) 622-3040; concerning submissions, the hearing, and/or to be placed on the building access list to attend the hearing, Michael Slaughter, (202) 622-7180 (not toll-free numbers).

#### SUPPLEMENTARY INFORMATION:

##### *Paperwork Reduction Act*

The collection of information contained in this notice of proposed rulemaking has been submitted to the Office of Management and Budget for review in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)). Comments on the collection of information should be sent to the **Office of Management and Budget**, Attn: Desk Officer for the Department of the Treasury, Office of Information and Regulatory Affairs, Washington, DC 20503, with copies to the **Internal Revenue Service**, Attn: IRS Reports Clearance Officer, OP:FS:FP, Washington, DC 20224.

Comments on the collection of information should be received by November 19, 1999.

Comments are specifically requested concerning:

Whether the proposed collection of information is necessary for the proper performance of the functions of the IRS, including whether the information will have practical utility;

The accuracy of the estimated burden associated with the proposed collection of information (see below);

How the quality, utility, and clarity of the information to be collected may be enhanced;

How the burden of complying with the proposed collection of information may be minimized, including through the application of automated collection techniques or other forms of information technology; and

Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

The requirement for the collection of information in this notice of proposed rulemaking is in §1.110-1(c). The information is required so that a taxpayer receiving a construction allowance as lessee from the lessor may establish the amount qualifying for the safe harbor under section 110(a). The collection of information is mandatory. The likely respondents are businesses and other for-profit organizations.

Estimated total annual reporting burden: 10,000 hours.

The estimated annual burden per respondent varies from .5 hours to 1.5 hours, depending on individual circumstances, with an estimated average of 1 hour.

Estimated number of respondents : 10,000.

Estimated annual frequency of responses: once.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number assigned by the Office of Management and Budget.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

##### *Background*

This document contains proposed amendments to the Income Tax Regulations (26 CFR part 1) to provide regulations under section 110 of the Internal Revenue Code of 1986. Section 110 was added to the Code by section 1213(a) of the Taxpayer Relief Act of 1997, Public Law 105-34 (Act). Under section 1213(e) of the Act, the amendment made by section 1213(a) applies to leases entered into after August 5, 1997.

##### *Explanation of Provisions*

##### *Tax Treatment of Lessee Construction Allowances*

Section 61(a) provides that gross income means "all income from whatever

source derived” except as otherwise provided in subtitle A of the Internal Revenue Code. Generally, the receipt of a construction allowance by a lessee from a lessor for property to be constructed and used by the lessee pursuant to a lease represents an accession to wealth includible in gross income in the year of receipt. However, amounts received by a lessee that are expended by the lessee on assets owned by the lessor are not includible in the lessee’s gross income because there is no accession to wealth. Thus, the proper tax treatment of construction allowances turns on whether the lessee or the lessor owns the property constructed with the allowance.

Ownership for tax purposes generally is determined by applying a “benefits and burdens of ownership” test to the facts and circumstances surrounding the transaction. The benefits and burdens of ownership test was developed by the Tax Court to determine whether a purported lease should be treated as a sale for Federal income tax purposes. The court set forth the following factors to determine whether the taxpayer had the benefits and burdens of ownership of the leased property: (1) whether legal title passes; (2) how the parties treat the transaction; (3) whether an equity interest was acquired in the property; (4) whether the contract creates a present obligation on the seller to execute and deliver a deed and a present obligation on the purchaser to make payments; (5) whether the right of possession is vested in the purchaser; (6) which party pays the property taxes; (7) which party bears the risk of loss or damage to the property; and (8) which party receives the profits from the operation and sale of the property. See *Grodt & McKay Realty, Inc. v. Commissioner*, 77 T.C. 1221 (1981), and *Coleman v. Commissioner*, T.C. Memo. 1987-195, *aff’d*, 16 F.3d 821 (7th Cir. 1994).

In a coordinated issue paper dated October 7, 1996, the IRS enumerated certain specific factors that help establish whether the benefits and burdens of ownership of the leasehold improvements are with the lessee or the lessor; *i.e.*, who carries personal property and liability insurance on the leasehold improvements; who is the beneficiary under those policies; who is responsible for replacing the leasehold im-

provements if they wear out prior to the end of the lease term; and, if the usefulness of the leasehold improvements extends beyond the lease term, who has the remainder interest in the improvements.

To the extent the lessee holds the benefits and burdens of ownership of the leasehold improvements constructed with the construction allowance, the lessee has an accession to wealth and income under section 61(a). However, to the extent the lessor holds the benefits and burdens of ownership, the lessee is acting merely as an agent of the lessor and the construction allowance is not includible in the gross income of the lessee.

Congress was concerned that the traditional factors used by the IRS in making the determination of who is the tax owner of property may be applied differently by the lessor and the lessee and may lead to controversies between the IRS and taxpayers. H.R. Rep. No. 148, 105th Cong., 1st Sess. 423 (1997) (House Report); S. Rep. No. 33, 105th Cong., 1st Sess. 232-33 (1997) (Senate Report). Consequently, the Act provides a safe harbor whereby it is assumed that a construction allowance is used to construct or improve lessor property (and is properly excludable by the lessee) when long-lived property is constructed or improved and used pursuant to a short-term lease. The Act also provides a reporting requirement to ensure that both the lessee and the lessor consistently treat the property subject to the construction allowance as nonresidential real property owned by the lessor. House Report at page 424; Senate Report at page 233.

#### *Safe Harbor under Section 110*

Section 110(a) provides, in general, that gross income of a lessee does not include any amount received in cash (or treated as a rent reduction) by a lessee from a lessor under a short-term lease of retail space, for the purpose of such lessee’s constructing or improving qualified long-term real property for use in such lessee’s trade or business at such retail space, but only to the extent that such amount does not exceed the amount expended by the lessee for such construction or improvement.

Section 110(c)(1) defines the term “qualified long-term real property” as

nonresidential real property which is part of, or otherwise present at, the retail space referred to in section 110(a) and which reverts to the lessor at the termination of the lease. Section 110(c)(2) defines the term “short-term lease” as a lease (or other agreement for occupancy or use) of retail space for 15 years or less (as determined under the rules of section 168(i)(3)). Section 110(c)(3) defines the term “retail space” as real property leased, occupied, or otherwise used by a lessee in its trade or business of selling tangible personal property or services to the general public.

Consistent with section 110(c)(1), the proposed regulations define the term “qualified long-term real property” as nonresidential real property under section 168(e)(2)(B), which is section 1250 property other than residential rental property and property with a class life of less than 27.5 years. The proposed regulations do not require a direct tracing of the construction allowance, but assume that the construction allowance is used to construct or improve the lessor’s property if qualified long-term real property is constructed by the lessee at the leased retail space. The IRS and the Department of Treasury specifically request comments on whether the definition of “retail space” needs to be clarified.

The proposed regulations recognize that a lessee may not be able to construct the qualified long-term real property in the same taxable year as it receives the construction allowance from the lessor. Thus, the proposed regulations give the lessee additional time to satisfy the safe harbor by allowing the construction allowance to be expended for qualified long-term real property until 8½ months after the close of the taxable year in which the construction allowance was received by the lessee.

The legislative history of the Act states that no inference is intended as to the treatment of amounts that are not subject to the safe harbor provision. In such cases, the provisions of IRS coordinated issue paper and present law (including case law) will continue to apply where applicable. H.R. Conf. Rep. No. 220, 105th Cong., 1st Sess. 658-59 (1997). Thus, a construction allowance failing to qualify under the safe harbor provision is not includible in the lessee’s gross income if the

lessor has the benefits and burdens of ownership of the property constructed with the construction allowance. Ownership of the property is determined under general principles of Federal tax law based on all the facts and circumstances.

#### *Consistency between Lessee and Lessor and Reporting Requirements*

Section 110(b) provides that qualified long-term real property constructed or improved in connection with any amount excluded from a lessee's income by reason of section 110(a) shall be treated as non-residential real property of the lessor (including for purposes of section 168(i)(8)(B)).

Section 110(d) provides that, under regulations, the lessee and lessor described in section 110(a) must, at such times and in such manner as may be provided in such regulations, furnish to the Secretary information concerning the amounts received (or treated as a rent reduction) and expended as described in section 110(a), and any other information which the Secretary deems necessary to carry out the provisions of section 110.

The Act provides that the lessor will treat any qualified long-term real property constructed or improved with a construction allowance excluded from the lessee's gross income under section 110(a) as non-residential real property owned by the lessor. However, the lessee's exclusion is not dependent upon the lessor's treatment of the property as nonresidential real property. House Report at page 424; Senate Report at page 233.

The proposed regulations prescribe the information required to be furnished by the lessor and the lessee and the time and manner for providing that information to the IRS. A lessor or a lessee that fails to furnish the required information may be subject to a penalty under section 6721.

#### *Proposed Effective Date*

The regulations are proposed to be applicable to leases entered into on or after the date final regulations are published in the **Federal Register**.

#### *Special Analyses*

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Exec-

utive Order 12866. Therefore, a regulatory assessment is not required. It is hereby certified that the collection of information in these regulations will not have a significant economic impact on a substantial number of small entities. This certification is based upon the fact that any burden on taxpayers is minimal. Accordingly, a Regulatory Flexibility Analysis under the Regulatory Flexibility Act (5 U.S.C. chapter 6) is not required. Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

#### *Comments and Public Hearing*

Before these proposed regulations are adopted as final regulations, consideration will be given to any written comments (a signed original and eight (8) copies) or electronic comments that are submitted timely to the IRS. The IRS and Treasury Department specifically request comments on the clarity of the proposed rule and how it may be made easier to understand. All comments will be available for public inspection and copying.

A public hearing has been scheduled for Wednesday, January 19, 2000, at 10 a.m. in room 2615, Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC. Due to building security procedures, visitors must enter at the 10th Street entrance, located between Constitution and Pennsylvania Avenues, NW. In addition, all visitors must present photo identification to enter the building. Because of access restrictions, visitors will not be admitted beyond the immediate entrance area more than 15 minutes before the hearing starts. For information about having your name placed on the building access list to attend the hearing, see the "FOR FURTHER INFORMATION CONTACT" section of this preamble.

The rules of 26 CFR 601.601(a)(3) apply to the hearing.

Persons who wish to present oral comments at the hearing must submit an outline of the topics to be discussed and the time to be devoted to each topic (signed original and eight (8) copies) by December 29, 1999.

A period of 10 minutes will be allotted to each person for making comments.

An agenda showing the scheduling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing.

#### *Drafting Information*

The principal author of these regulations is Paul F. Handleman, Office of the Assistant Chief Counsel (Passthroughs and Special Industries), IRS. However, other personnel from the IRS and Treasury Department participated in their development.

\* \* \* \* \*

#### *Proposed Amendments to the Regulations*

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

#### PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 is amended by adding an entry in numerical order to read in part as follows:

Authority: 26 U.S.C. 7805 \* \* \*

Section 1.110-1 also issued under 26 U.S.C. 110(d); \* \* \*

Par. 2. Section 1.110-1 is added to read as follows:

#### *§1.110-1 Qualified lessee construction allowances.*

(a) *Overview.* Amounts provided to a lessee by a lessor for property to be constructed and used by the lessee pursuant to a lease are not includible in the lessee's gross income if the amount is a qualified lessee construction allowance under paragraph (b) of this section.

(b) *Qualified lessee construction allowance—(1) In general.* A qualified lessee construction allowance means any amount received in cash (or treated as a rent reduction) by a lessee from a lessor—

(i) Under a short-term lease of retail space;

(ii) For the purpose of constructing or improving qualified long-term real property for use in the lessee's trade or business at that retail space; and

(iii) To the extent the amount is expended by the lessee in the taxable year received on the construction or improvement of qualified long-term real property for use in the lessee's trade or business at that retail space.

(2) *Definitions*—(i) *Qualified long-term real property* is nonresidential real property under section 168(e)(2)(B) that is part of, or otherwise present at, the retail space referred to in paragraph (b)(1)(i) of this section and which reverts to the lessor at the termination of the lease. Thus, qualified long-term real property does not include property qualifying as section 1245 property under section 1245(a)(3).

(ii) *Short-term lease* is a lease (or other agreement for occupancy or use) of retail space for 15 years or less (as determined pursuant to section 168(i)(3)).

(iii) *Retail space* is nonresidential real property under section 168(e)(2)(B) that is leased, occupied, or otherwise used by the lessee in its trade or business of selling tangible personal property or services to the general public.

(3) *Purpose requirement.* An amount will meet the requirement in paragraph (b)(1)(ii) of this section only to the extent that the lease agreement for the retail space expressly provides that the construction allowance is for the purpose of constructing or improving qualified long-term real property for use in the lessee's trade or business at that retail space.

(4) *Expenditure requirement*—(i) *In general.* Expenditures referred to in paragraph (b)(1)(iii) of this section will be treated as being made first from the lessee's construction allowance. Tracing of the construction allowance to the actual lessee expenditures for the construction or improvement of qualified long-term real property is not required. However, the lessee should maintain accurate records of the amount of the qualified lessee construction allowance received and the expenditures made for qualified long-term real property.

(ii) *Time when expenditures deemed made.* For purposes of paragraph (b)(1)(iii) of this section, an amount is deemed to have been expended by a lessee in the taxable year in which the construction allowance was received by the lessee if the amount is expended within 8½ months after the close of that taxable year.

(5) *Consistent treatment by lessor.* Qualified long-term real property con-

structed or improved with any amount excluded from a lessee's gross income by reason of paragraph (a) of this section must be treated as nonresidential real property owned by the lessor (for purposes of depreciation under 168(e)(2)(B) and determining gain or loss under section 168(i)(8)(B)). For purposes of the preceding sentence, the lessor must treat the construction allowance as fully expended in the manner required by paragraph (b)(1)(iii) of this section unless the lessor is notified by the lessee in writing to the contrary. General tax principles apply for purposes of determining when the lessor may begin depreciation of its nonresidential real property. The lessee's exclusion from gross income under paragraph (a) of this section, however, is not dependent upon the lessor's treatment of the property as nonresidential real property.

(c) *Information required to be furnished*—(1) *In general.* The lessor and the lessee described in paragraph (b) of this section who are paying and receiving a qualified lessee construction allowance, respectively, must furnish the information described in paragraph (c)(3) of this section in the time and manner prescribed in paragraph (c)(2) of this section.

(2) *Time and manner for furnishing information.* The requirement to furnish information under paragraph (c)(1) of this section is met by attaching a statement with the information described in paragraph (c)(3) of this section to the lessor's or the lessee's, as applicable, timely filed (including extensions) Federal income tax return for the taxable year in which the construction allowance was paid by the lessor or received by the lessee (either in cash or treated as a rent reduction), as applicable. A lessor or a lessee may report the required information for several qualified lessee construction allowances on a combined statement. However, a lessor's or a lessee's failure to provide information with respect to each lease will be treated as a separate failure to provide information for purposes of paragraph (c)(4) of this section.

(3) *Information required*—(i) *Lessor.* The statement provided by the lessor must contain the lessor's name (and, in the case of a consolidated group, the parent's

name), employer identification number, taxable year and the following information for each lease:

(A) The lessee's name (in the case of a consolidated group, the parent's name).

(B) The address of the lessee.

(C) The employer identification number of the lessee.

(D) The location of the retail space (including mall or strip center name, if applicable, and store name).

(E) The amount of the construction allowance.

(F) The amount of the construction allowance treated by the lessor as nonresidential real property owned by the lessor.

(ii) *Lessee.* The statement provided by the lessee must contain the lessee's name (and, in the case of a consolidated group, the parent's name), employer identification number, taxable year and the following information for each lease:

(A) The lessor's name (in the case of a consolidated group, the parent's name).

(B) The address of the lessor.

(C) The employer identification number of the lessor.

(D) The location of the retail space (including mall or strip center name, if applicable, and store name).

(E) The amount of the construction allowance.

(F) The amount of the construction allowance that is a qualified lessee construction allowance under paragraph (b) of this section.

(4) *Failure to furnish information.* A lessor or a lessee that fails to furnish the information required in this paragraph (c) may be subject to a penalty under section 6721.

(d) *Effective date.* This section is applicable to leases entered into on or after the date final regulations are published in the **Federal Register**.

Robert E. Wenzel,  
Deputy Commissioner  
of Internal Revenue.

(Filed by the Office of the Federal Register on September 17, 1999, 8:45 a.m., and published in the issue of the Federal Register for September 20, 1999, 64 F.R. 50783)

## Definition of Terms

*Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:*

*Amplified* describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

*Clarified* is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

*Distinguished* describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

*Modified* is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it ap-

plies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

*Obsoleted* describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in law or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

*Revoked* describes situations where the position in the previously published ruling is not correct and the correct position is being stated in the new ruling.

*Superseded* describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the

new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case the previously published ruling is first modified and then, as modified, is superseded.

*Supplemented* is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

*Suspended* is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

## Abbreviations

*The following abbreviations in current use and formerly used will appear in material published in the Bulletin.*

A—Individual.  
Acq.—Acquiescence.  
B—Individual.  
BE—Beneficiary.  
BK—Bank.  
B.T.A.—Board of Tax Appeals.  
C.—Individual.  
C.B.—Cumulative Bulletin.  
CFR—Code of Federal Regulations.  
CI—City.  
COOP—Cooperative.  
Ct.D.—Court Decision.  
CY—County.  
D—Decedent.  
DC—Dummy Corporation.  
DE—Donee.  
Del. Order—Delegation Order.  
DISC—Domestic International Sales Corporation.  
DR—Donor.  
E—Estate.  
EE—Employee.

E.O.—Executive Order.  
ER—Employer.  
ERISA—Employee Retirement Income Security Act.  
EX—Executor.  
F—Fiduciary.  
FC—Foreign Country.  
FICA—Federal Insurance Contribution Act.  
FISC—Foreign International Sales Company.  
FPH—Foreign Personal Holding Company.  
F.R.—Federal Register.  
FUTA—Federal Unemployment Tax Act.  
FX—Foreign Corporation.  
G.C.M.—Chief Counsel's Memorandum.  
GE—Grantee.  
GP—General Partner.  
GR—Grantor.  
IC—Insurance Company.  
I.R.B.—Internal Revenue Bulletin.  
LE—Lessee.  
LP—Limited Partner.  
LR—Lessor.  
M—Minor.  
Nonacq.—Nonacquiescence.  
O—Organization.  
P—Parent Corporation.

PHC—Personal Holding Company.  
PO—Possession of the U.S.  
PR—Partner.  
PRS—Partnership.  
PTE—Prohibited Transaction Exemption.  
Pub. L.—Public Law.  
REIT—Real Estate Investment Trust.  
Rev. Proc.—Revenue Procedure.  
Rev. Rul.—Revenue Ruling.  
S—Subsidiary.  
S.P.R.—Statements of Procedural Rules.  
Stat.—Statutes at Large.  
T—Target Corporation.  
T.C.—Tax Court.  
T.D.—Treasury Decision.  
TFE—Transferee.  
TFR—Transferor.  
T.I.R.—Technical Information Release.  
TP—Taxpayer.  
TR—Trust.  
TT—Trustee.  
U.S.C.—United States Code.  
X—Corporation.  
Y—Corporation.  
Z—Corporation.

## Numerical Finding List<sup>1</sup>

Bulletins 1999–27 through 1999–39

### Announcements:

99–47, 1999–28 I.R.B. 29  
99–64, 1999–27 I.R.B. 7  
99–65, 1999–27 I.R.B. 9  
99–66, 1999–27 I.R.B. 9  
99–67, 1999–28 I.R.B. 31  
99–68, 1999–28 I.R.B. 31  
99–69, 1999–28 I.R.B. 33  
99–70, 1999–29 I.R.B. 118  
99–71, 1999–31 I.R.B. 223  
99–72, 1999–30 I.R.B. 132  
99–73, 1999–30 I.R.B. 133  
99–74, 1999–30 I.R.B. 133  
99–75, 1999–30 I.R.B. 133  
99–76, 1999–31 I.R.B. 223  
99–77, 1999–32 I.R.B. 243  
99–78, 1999–31 I.R.B. 229  
99–79, 1999–31 I.R.B. 229  
99–80, 1999–34 I.R.B. 310  
99–81, 1999–32 I.R.B. 244  
99–82, 1999–32 I.R.B. 244  
99–83, 1999–32 I.R.B. 245  
99–84, 1999–33 I.R.B. 248  
99–85, 1999–33 I.R.B. 248  
99–86, 1999–35 I.R.B. 332  
99–87, 1999–35 I.R.B. 333  
99–88, 1999–36 I.R.B. 407  
99–89, 1999–36 I.R.B. 408  
99–90, 1999–36 I.R.B. 409  
99–91, 1999–37 I.R.B. 421  
99–92, 1999–38 I.R.B. 433  
99–93, 1999–36 I.R.B. 409  
99–94, 1999–39 I.R.B. 437

### Notices:

99–34, 1999–35 I.R.B. 323  
99–35, 1999–28 I.R.B. 26  
99–37, 1999–30 I.R.B. 124  
99–38, 1999–31 I.R.B. 138  
99–39, 1999–34 I.R.B. 313  
99–40, 1999–35 I.R.B. 324  
99–41, 1999–35 I.R.B. 325  
99–42, 1999–35 I.R.B. 325  
99–43, 1999–36 I.R.B. 344  
99–44, 1999–35 I.R.B. 326  
99–45, 1999–37 I.R.B. 415  
99–46, 1999–37 I.R.B. 415  
99–47, 1999–36 I.R.B. 391  
99–48, 1999–38 I.R.B. 429  
99–49, 1999–39 I.R.B. 436

### Proposed Regulations:

REG–252487–96, 1999–34 I.R.B. 303  
REG–101519–97, 1999–29 I.R.B. 114  
REG–107069–97, 1999–36 I.R.B. 346  
REG–106527–98, 1999–34 I.R.B. 304  
REG–108287–98, 1999–28 I.R.B. 27  
REG–113526–98, 1999–37 I.R.B. 417  
REG–113909–98, 1999–30 I.R.B. 125  
REG–116733–98, 1999–36 I.R.B. 392  
REG–116991–98, 1999–32 I.R.B. 242  
REG–121946–98, 1999–36 I.R.B. 403  
REG–105237–99, 1999–35 I.R.B. 331  
REG–105327–99, 1999–29 I.R.B. 117  
REG–105565–99, 1999–37 I.R.B. 419

### Revenue Procedures:

99–28, 1999–29 I.R.B. 109  
99–29, 1999–31 I.R.B. 138  
99–30, 1999–31 I.R.B. 221  
99–31, 1999–34 I.R.B. 280  
99–32, 1999–34 I.R.B. 296  
99–33, 1999–34 I.R.B. 301

### Revenue Rulings:

99–29, 1999–27 I.R.B. 3  
99–30, 1999–28 I.R.B. 24  
99–31, 1999–37 I.R.B. 410  
99–32, 1999–31 I.R.B. 135  
99–33, 1999–34 I.R.B. 251  
99–34, 1999–33 I.R.B. 247  
99–35, 1999–34 I.R.B. 278  
99–36, 1999–35 I.R.B. 319  
99–37, 1999–36 I.R.B. 336  
99–38, 1999–36 I.R.B. 335  
99–39, 1999–38 I.R.B. 424

### Treasury Decisions:

8822, 1999–27 I.R.B. 5  
8823, 1999–29 I.R.B. 34  
8824, 1999–29 I.R.B. 62  
8825, 1999–28 I.R.B. 19  
8826, 1999–29 I.R.B. 107  
8827, 1999–30 I.R.B. 120  
8828, 1999–30 I.R.B. 120  
8829, 1999–32 I.R.B. 235  
8830, 1999–38 I.R.B. 430  
8831, 1999–34 I.R.B. 264  
8832, 1999–35 I.R.B. 315  
8833, 1999–36 I.R.B. 338  
8834, 1999–34 I.R.B. 251  
8835, 1999–35 I.R.B. 317  
8836, 1999–37 I.R.B. 411  
8837, 1999–38 I.R.B. 426  
8838, 1999–38 I.R.B. 424

<sup>1</sup> A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 1999–1 through 1999–26 will be found in Internal Revenue Bulletin 1999–27, dated July 6, 1999.



## Finding List of Current Action on Previously Published Items<sup>1</sup>

Bulletins 1999–27 through 1999–39

### Announcements:

#### 99–59

Corrected by  
Ann. 99–67, 1999–28 I.R.B. 31

### Notices:

#### 83–10

Modified by  
Notice 99–44, 1999–35 I.R.B. 326

#### 96–64

Modified by  
Notice 99–40, 1999–35 I.R.B. 324

#### 97–26

Modified by  
Notice 99–41, 1999–35 I.R.B. 325

#### 97–50

Modified & superseded by  
Notice 99–41, 1999–35 I.R.B. 325

#### 97–73

Modified by  
Notice 99–37, 1999–30 I.R.B. 124

#### 98–7

Modified by  
Notice 99–37, 1999–30 I.R.B. 124

#### 98–46

Modified by  
Notice 99–37, 1999–30 I.R.B. 124

#### 98–47

Modified & superseded by  
Notice 99–41, 1999–35 I.R.B. 325

#### 98–54

Modified by  
Notice 99–37, 1999–30 I.R.B. 124

#### 98–59

Modified by  
Notice 99–37, 1999–30 I.R.B. 124

### Proposed Regulations:

#### REG–208156–91

Corrected by  
Ann. 99–65, 1999–27 I.R.B. 9

### Revenue Procedures:

#### 65–17

Superseded by  
Rev. Proc. 99–32, 1999–34 I.R.B. 296

#### 65–31

Superseded by  
Rev. Proc. 99–32, 1999–34 I.R.B. 296

#### 70–23

Superseded by  
Rev. Proc. 99–32, 1999–34 I.R.B. 296

#### 71–35

Superseded by  
Rev. Proc. 99–32, 1999–34 I.R.B. 296

#### 72–22

Superseded by  
Rev. Proc. 99–32, 1999–34 I.R.B. 296

### Revenue Procedures—Continued

#### 72–46

Superseded by  
Rev. Proc. 99–32, 1999–34 I.R.B. 296

#### 72–48

Superseded by  
Rev. Proc. 99–32, 1999–34 I.R.B. 296

#### 72–53

Superseded by  
Rev. Proc. 99–32, 1999–34 I.R.B. 296

#### 89–48

Obsoleted (after Jan. 31, 2000) by  
Notice 99–42, 1999–35 I.R.B. 325

#### 89–49

Obsoleted (after Jan. 31, 2000) by  
Notice 99–42, 1999–35 I.R.B. 325

#### 96–9

Superseded by  
Rev. Proc. 99–28, 1999–29 I.R.B. 109

#### 97–19

Modified by  
Notice 99–41, 1999–35 I.R.B. 325

#### 98–22

Clarified and supplemented by  
Rev. Proc. 99–31, 1999–34 I.R.B. 280

#### 98–35

Superseded by  
Rev. Proc. 99–29, 1999–31 I.R.B. 138

### Revenue Rulings:

#### 82–80

Superseded by  
Rev. Proc. 99–32, 1999–34 I.R.B. 296

### Treasury Decisions:

#### 8476

Corrected by  
Ann. 99–74, 1999–30 I.R.B. 133

#### 8742

Corrected by  
Ann. 99–73, 1999–30 I.R.B. 133

#### 8793

Corrected by  
Ann. 99–75, 1999–30 I.R.B. 134

#### 8805

Corrected by  
Ann. 99–66, 1999–27 I.R.B. 9

#### 8806

Corrected by  
Ann. 99–84, 1999–33 I.R.B. 248

#### 8819

Corrected by  
Ann. 99–47, 1999–28 I.R.B. 29

#### 8823

Corrected by  
Ann. 99–86, 1999–35 I.R.B. 332

<sup>1</sup> A cumulative finding list of actions published in Internal Revenue Bulletins 1999–1 through 1999–26 will be found in Internal Revenue Bulletin 1999–27, dated July 6, 1999.

# Index

## Internal Revenue Bulletins 1999–27 Through 1999–39

The index of items published in Internal Revenue Bulletins 1999–1 through 1999–26 is in Internal Revenue Bulletin 1999–27, dated July 6, 1999.

The abbreviation and number in parenthesis following the index entry refer to the specific item; numbers in roman and italic type following the parenthesis refer to the Internal Revenue Bulletin in which the item may be found and the page number on which it appears.

### Key to Abbreviations:

Ann	Announcement
RR	Revenue Ruling
RP	Revenue Procedure
TD	Treasury Decision
CD	Court Decision
PL	Public Law
EO	Executive Order
DO	Delegation Order
TDO	Treasury Department Order
TC	Tax Convention
SPR	Statement of Procedural Rules
PTE	Prohibited Transaction Exemption

## EMPLOYEE PLANS

Employee stock ownership plans (Ann 84) 33, 248

### Funding:

Full funding limitations, weighted average interest rate for July 1999 (Notice 38) 31, 138; August 1999 (Notice 39) 34, 313; September 1999 (Notice 49) 39, 436

Limitations on contributions and benefits under section 415 (Notice 44) 35, 326

### Qualifications:

Administrative programs; acceptable correction methods and examples under the Employee Plans Compliance Resolution System (EPCRS) (RP 31) 34, 280

Governmental plans; nondiscrimination rules (Notice 40) 35, 324

## EMPLOYEE PLANS—

### Continued

#### Regulations:

26 CFR 1.411(d)–4, corrected; employee stock ownership plans, qualified retirement plan benefits (Ann 84) 33, 248

## EMPLOYMENT TAX

#### Deposits:

*De minimus* rule (TD 8822) 30, 120  
Electronic funds transfer (TD 8828) 30, 120  
Magnetic media (Notice 42) 35, 325  
Electronic filing; magnetic media:  
Form 1042-S, specifications for filing (Ann 79) 31, 229  
Forms 1098, 1099, 5498 W-2G; specifications – Pub. 1220 (RP 29) 31, 138  
Information reporting seminars for 1999; correction (Ann 67) 28, 31

#### Regulations:

26 CFR 31.3221–4, added; exception from supplemental annuity tax on railroad employers (TD 8832) 35, 315  
26 CFR 31.6302–1, amended; electronic funds transfers of federal deposits (TD 8828) 30, 120  
26 CFR 31.6302–1(f)(4), revised; 31.6302–1T, removed; federal employment tax deposits – *de minimis* rule (TD 8822) 27, 5

Supplemental annuity tax on railroad employers, exception (TD 8832) 35, 315

## ESTATE TAX

Payment by electronic funds transfer (TD 8828) 30, 120

#### Regulations:

26 CFR 20.2031–7A, –7T, 20.7520–1T, corrected; valuation of annuities, interests for life or term of years, and remainder or reversionary interests (Ann 47) 28, 29

26 CFR 20.6302–1, added; electronic funds transfers of tax (TD 8828) 30, 120

Valuation of annuities, etc. (Ann 47) 28, 29

## EXCISE TAX

Payment by electronic funds transfer (TD 8828) 30, 120

#### Regulations:

26 CFR 40.6302(a)–1, added; electronic funds transfers of tax (TD 8828) 30, 120

## EXEMPT ORGANIZATIONS

List of organizations classified as private foundations (Ann 64) 27, 7; (Ann 68) 28, 31; (Ann 70) 29, 118; (Ann 78) 31, 229; (Ann 83) 32, 242; (Ann 85) 33, 248; (Ann 80) 34, 310; (Ann 87) 35, 333; (Ann 88) 36, 407; (Ann 91) 37, 421; (Ann 92) 38, 433; (Ann 94) 39, 437

#### Proposed regulations:

26 CFR 301.6104(d)–1, removed; 301.6104(d)–2 redesignated as 301.6104(d)–0 and revised; 301.6104(d)–3 redesignated as 301.6104(d)–1 and amended; 301.6104(d)–4 redesignated as 301.6104(d)–2 and amended; 301.6104(d)–5 redesignated as 301.6104(d)–3 and amended; private foundation disclosure rules (REG–121946–98) 36, 403

Revocations (Ann 72) 30, 132

#### Tax conventions:

Guidance concerning a competent authority agreement between the U.S. and Canada relating to Article XXI (Exempt Organizations) (Notice 47) 36, 391

## GIFT TAX

Payment by electronic funds transfer (TD 8828) 30, 120

#### Proposed regulations:

26 CFR 25.2702–3, amended; definition of a qualified interest in a grantor retained annuity trust and a grantor retained unitrust (REG–108287–98) 28, 27

Qualified interest, defined (REG–108287–98) 28, 27

#### Regulations:

26 CFR 25.7520–1T, corrected; valuation of annuities, interests for life or term of years, and remainder or reversionary interests (Ann 47) 28, 29

## GIFT TAX—Continued

- 26 CFR 25.6302-1, added; electronic funds transfers of tax (TD 8828) 30, 120
- Valuation of annuities, etc. (Ann 47) 28, 29

## INCOME TAX

- Allocation of income and deductions:
  - Adjustment of accounts (RP 32) 34, 296
- Appeals Office, early referral to (RP 28) 29, 109
- Balanced system for measuring organizational performance within the IRS (TD 8830) 38, 430
- Capital gains; interest in partnerships, S corporations, and trusts (REG-106527-98) 34, 304
- Charitable contributions, organization no longer qualified (Ann 72) 30, 132
- Consolidated returns, limitations:
  - Certain losses and deductions (TD 8823) 29, 34; correction (Ann 86) 35, 332
  - NOL carryforwards and built-in losses (TD 8824) 29, 62
- Credits:
  - Foreign tax credit, income subject to separate limitations (Ann 66) 27, 9
  - Qualified student loan interest; information reporting (Notice 37) 30, 124
- Depletion:
  - Ground water for irrigation, Ogallala Formation (Ann 90) 36, 409
- Depreciation and amortization, Form 4562, correction to recovery period for personal property (Ann 82) 32, 244
- Depreciation—section 168:
  - Treasury depreciation study; request for public comment (Notice 34) 35, 323
- Early referral of issues to Appeals (RP 28) 29, 109
- Electronic filing; magnetic media:
  - Form 1042-S; specifications (Ann 79) 31, 229
  - Forms 1098, 1099, 5498, W-2G; specifications (RP 29) 31, 138
- Enhanced oil recovery credit for 1999 (Notice 45) 37, 415
- Estimated tax payments:
  - Elimination of magnetic tape (Notice 42) 35, 325
- Federal tax lien, withdrawal of notice (REG-101519-97) 29, 114

## INCOME TAX—Continued

- Foreign contingent debt (Ann 76) 31, 223
- Foreign persons:
  - Distributions to (TD 8834) 34, 251
  - Grantor trust (TD 8831) 34, 264; (REG-252487-96) 34, 303
- Forms:
  - 4562, correction to recovery period for personal property (Ann 82) 32, 244
  - 5329, corrections to instructions (Ann 93) 36, 409
  - 8853, corrections to instructions (Ann 93) 36, 409
  - 10318, ground water for irrigation, obsolete (Ann 90) 36, 409
- Inflation-indexed debt instruments (TD 8838) 38, 424
- Insurance companies:
  - Closing agreements under section 7702 (Notice 48) 38, 429
  - Differential earnings rate and recomputed differential earnings rate for mutual life insurance companies (RR 35) 34, 278
  - Foreign companies, minimum effectively connected net investment income (RP 30) 31, 221
- Interest:
  - Investment:
    - Federal short-term, mid-term, and long-term rates for July 1999 (RR 29) 27, 3; August 1999 (RR 32) 31, 135; September 1999 (RR 37) 36, 336
  - Rates:
    - Underpayments and overpayments for calendar quarter beginning October 1, 1999 (RR 36) 35, 319
- Inventory:
  - LIFO:
    - Price indexes; department stores for May 1999 (RR 30) 28, 24; June 1999 (RR 34) 33, 247; July 1999 (RR 31) 37, 410
- Litigation guideline memoranda (1/1/86-10/20/98), available for public inspection (Ann 81) 32, 244
- Long-term contracts, accounting for (Ann 65) 27, 9
- Low-income housing tax credit:
  - Housing Opportunities for Persons With AIDS (RR 39) 38, 424
  - Satisfactory bond; “bond factor” amounts for the period July through September 1999 (RR 38) 36, 335
  - Unused housing credit carryovers under section 42(h)(3)(D) for 1999 (RP 33) 34, 301

## INCOME TAX—Continued

- Marginal production rates for 1999; oil and gas (Notice 46) 37, 415
- Meals, convenience of employer (Ann 77) 32, 243
- Medical savings accounts; excess contributions (Ann 93) 36, 409
- Nonrecognition exchanges, foreign persons, U.S. real property interests (Notice 43) 36, 344
- Original issue discount (OID), tables no longer on IRS electronic bulletin board (Ann 71) 31, 223
- Page numbers change in Internal Revenue Bulletins (Ann 69) 28, 33
- Payment of tax:
  - Credit cards and debit cards (Ann 75) 30, 134
  - Electronic funds transfer (TD 8828) 30, 120
- Private delivery services; timely filing or payment (Notice 41) 35, 325
- Private foundations, organizations classified as (Ann 64) 27, 7; (Ann 68) 28, 31; (Ann 70) 29, 118; (Ann 78) 31, 229; (Ann 83) 32, 245; (Ann 85) 33, 248; (Ann 80) 34, 310; (Ann 87) 35, 333; (Ann 88) 36, 407; (Ann 91) 37, 421; (Ann 92) 38, 433; (Ann 94) 39, 437
- Proposed regulations:
  - 26 CFR 1.1(h)-1, added; 1.1223-3, added; 1.741-1, amended; capital gains, partnership, subchapter S, and trust provisions (REG-106527-98) 34, 304
  - 26 CFR 1.148-1(e), amended; definition of investment-type property for arbitrage and related restrictions applicable to tax-exempt bonds issued by state and local governments (REG-113526-98) 37, 417
  - 26 CFR 1.148-5(e)(2)(iii), revised; 1.148-5(e)(2)(iv), removed; special rule for guaranteed investment contracts and investments purchased for a yield restricted defeasance escrow (REG-105565-99) 37, 419
  - 26 CFR 1.338-0 through -3, revised; 1.338-4 and 1.338-5 redesignated as 1.338-8 and 1.338-9; 1.338-4 through 1.338-7, added; 1.338(b)-1, 1.338(b)-2T, and 1.338(b)-3T, removed; 1.338-10, added; 1.338(h)(10)-1 and 1.338(i)-1, revised; 1.1060-1, added; 1.1060-1T, removed; allocation of purchase price in deemed and actual asset acquisitions (REG-107069-97) 36, 346

## INCOME TAX—Continued

- 26 CFR 1.355-0, amended; 1.355-7, added; recognition of gain on certain distributions of stock or securities in connection with acquisition (REG-116733-98) 36, 392
- 26 CFR 1.460-4, corrected; accounting for long-term contracts (Ann 65) 27, 9
- 26 CFR 1.671-2(e), revised; inbound grantor trusts with foreign grantors (REG-252487-96) 34, 303
- 26 CFR 1.904-5(k)(1), revised; 1.954-0, -1, amended; 1.954-2(a)(5) and (a)(6), added; 1.954-9, added; under subpart F: withdrawal of guidance relating to partnerships and branches; new guidance relating to certain hybrid transactions (REG-113909-98) 30, 125
- 26 CFR 1.1397E-1, amended; qualified zone academy bonds; obligations of states and political subdivisions (REG-105327-99) 29, 117
- 26 CFR 1.6109-2, paragraph (a), revised and paragraph (d), added; alternative identifying numbers for income tax return preparers (REG-105237-99) 35, 331
- 26 CFR 301.6323(j)-1, added; withdrawal of notice of federal tax lien in certain circumstances (REG-101519-97) 29, 114
- 26 CFR 301.7122-1, added; compromise of tax liabilities (REG-116991-98) 32, 242
- Publications:  
527, corrected (Ann 82) 32, 244
- Qualified zone academy bonds:  
Credit rate (Notice 35) 28, 26  
Credit rate and reimbursement rules (TD 8826) 29, 107; (REG-105327-99) 29, 117
- Regulations:  
26 CFR 1.148-11, corrected; arbitrage restrictions on tax-exempt bonds (Ann 74) 30, 133  
26 CFR 1.170A-12T, 1.7520-1T, corrected; valuation of annuities, interests for life or terms of years, and remainder or reversionary interests (Ann 47) 28, 29  
26 CFR 1.367(e)-0T, -1T, -2T, removed; 1.367(e)-0, -1, -2, added; 1.6038B-1, -1T, amended; treatment of distribution to foreign per-

## INCOME TAX—Continued

- sons under sections 367(e)(1) and (2) (TD 8834) 34, 251
- 26 CFR 1.382-5T redesignated as 1.382-5, amended; 1.382-8T redesignated as 1.382-8, amended; 1.382-1, -2, -2T, -4, amended; application of section 382 in short taxable years and with respect to controlled groups (TD 8825) 28, 19
- 26 CFR 1.453-12, added; capital gains, installment sales (TD 8836) 37, 411
- 26 CFR 1.643(h)-1, added; 1.671-2(e), revised; 1.671-2T, added; 1.672(f)-1 through -5, added; inbound grantor trusts with foreign grantors (TD 8831) 34, 264
- 26 CFR 1.904-4, corrected; income subject to separate limitations (Ann 66) 27, 9
- 26 CFR 1.904-5, amended; 1.904-5T, removed; 1.954-1, amended; 1.954-1T, -2T, removed; 1.954-9T, removed; 301.7701-3, amended; 301.7701-3T, removed; removal of regulations providing guidance under subpart F relating to partnerships and branches (TD 8827) 30, 120
- 26 CFR 1.1275-7T redesignated as 1.1275-7; 1.1286-2T redesignated as 1.1286-2 and amended; 1.148-4, amended; 1.163-13, amended; 1.171-3, amended; 1.1271-0(b), amended; 1.1275-4, amended; inflation-indexed debt instruments (TD 8838) 38, 424
- 26 CFR 1.1397E-1T, amended; qualified zone academy bonds; obligations of states and political subdivisions (TD 8826) 29, 107
- 26 CFR 1.1502-9T, removed; 1.1502-3T, amended; 1.1502-9 redesignated as 1.1502-9A and amended; 1.1502-9, added; overall foreign losses and separate limitation losses (TD 8833) 36, 338
- 26 CFR 1.1502-15T, -21T, -22T, -23T, removed; 1.1502-1, amended; 1.1502-15, -21, -22, -23, added; consolidated returns—limitations on the use of certain losses and deductions (TD 8823) 29, 34; correction (Ann 86) 35, 332
- 26 CFR 1.1502-90T redesignated as 1.1502-90A; 1.1502-91T through

## INCOME TAX—Continued

- 99T, removed; 1.1502-90 through -99, added; 1.1502-91A through -99A, added; 1.1502-20, amended; limitations on net operating loss carryforwards and certain built-in losses and credits following an ownership change of a consolidated group (T.D 8824) 29, 62
- 26 CFR 1.6109-2, paragraph (a), revised and paragraph (d), added; 1.6109-2T, added; alternative identifying numbers for income tax return preparers (TD 8835) 35, 317
- 26 CFR 1.6302-4, revised; electronic funds transfers of federal deposits (TD 8828) 30, 120
- 26 CFR 301.6311-2T, corrected; payment by credit card and debit card (Ann 75) 30, 134
- 26 CFR 301.6402-5(h), added; 301.6402-6(n), revised; Tax Refund Offset Program revised (TD 8837) 38, 426
- 26 CFR 301.7122-1, removed; 301.7122-0T and -1T, added; compromise of tax liabilities (TD 8829) 32, 235
- 26 CFR 602.101, corrected; requirements respecting the adoption or change of accounting method; extension of time to make elections (Ann 73) 30, 133
- 26 CFR 801.1-6, added; establishment of a balanced measurement system for the IRS (TD 8830) 38, 430
- Return preparers, identifying number (TD 8835) 35, 317; (REG-105237-99) 35, 331
- Short tax year, controlled group (TD 8825) 28, 19
- Standard Industry Fare Level (SIFL) rates for the second half of 1999 (RR 33) 34, 251
- Start-up expenditures (RR 23) 20, 3; correction (Ann 89) 36, 408
- Subpart F:  
Hybrid transactions (REG-113909-98) 30, 125  
Partnership guidance withdrawn (REG-113909-98) 30, 125  
Partnership temporary regulations removed (TD 8827) 30, 120  
Taxes, compromise of (TD 8829) 32, 235; (REG-116991-98) 32, 242

## INCOME TAX—Continued

Tax conventions:

Guidance concerning a competent authority agreement between the U.S. and Canada relating to Article XXI of the tax convention (Notice 47) 36, 391

Tax-exempt bond, arbitrage restrictions (Ann 74) 30, 133

Valuation of a remainder interest (Ann 47) 28, 29

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